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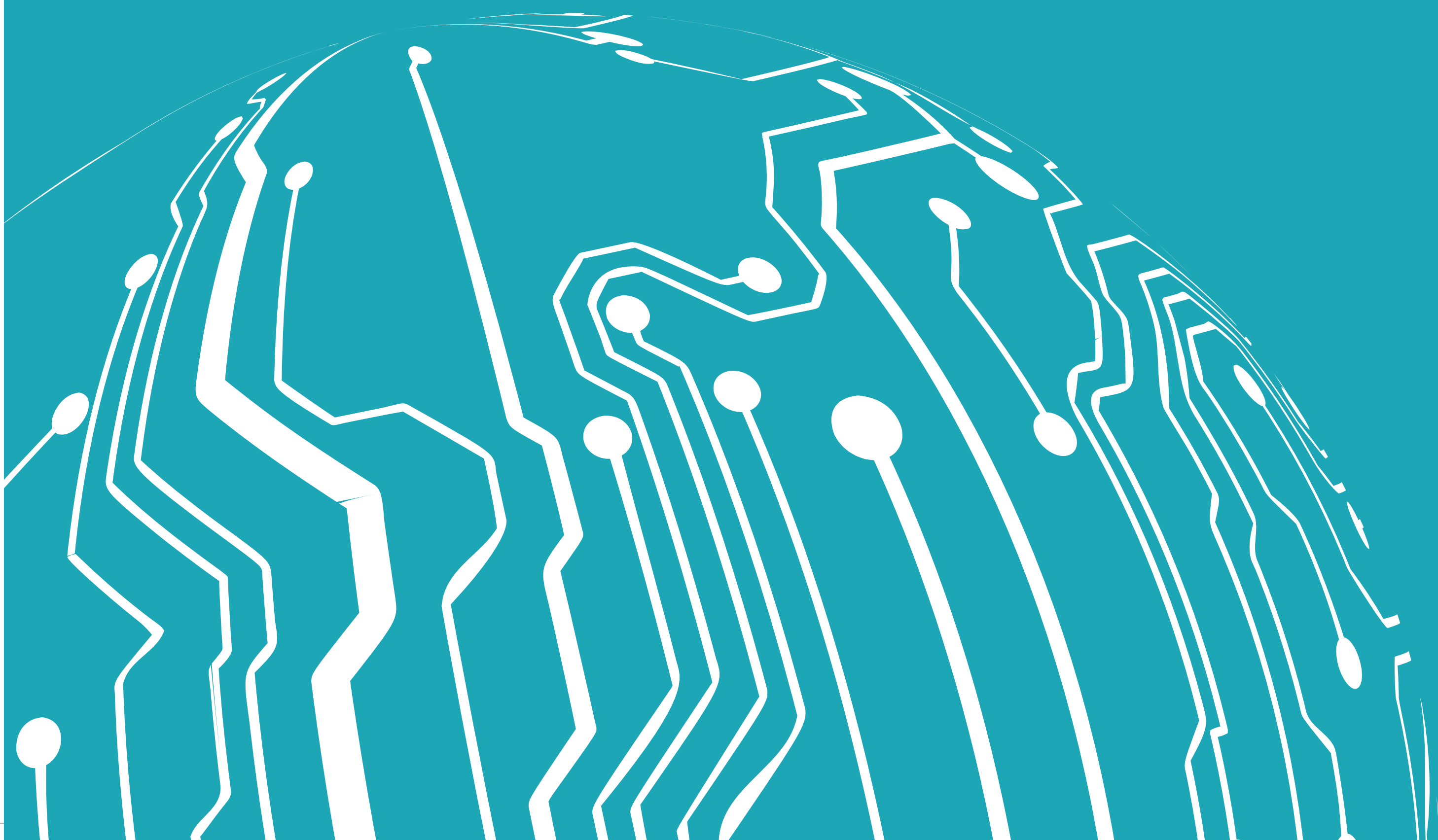
How Reputations are Won and Lost in Modern Information Markets

A white paper for policy-makers, practitioners and academics

May 2014

Contents



1 Introduction

On January 17-18, 2014, the University of San Diego Center for Corporate and Securities Law and the Oxford University Centre for Corporate Reputation co-sponsored a conference at the University of San Diego on "How Reputations Are Won and Lost in Modern Information Markets." The discussion included public remarks by more than a dozen prominent experts from academic, business, and media. The videotaped remarks, along with panel discussions and questions, are available at http://www.sandiego.edu/law/school/events/webcasts/2014.php

The transcripts are attached in the Appendix.

After the public sessions, a Conference Editorial Board (CEB) was convened consisting of the public speakers and a small number of additional invited members. The CEB discussed the issues and themes from the public sessions, and considered the organisational and public policy implications that emerged.

This White Paper contains our policy recommendations in Section 2 and summarises the conference in Section 3 and the convergent themes emerging from the subsequent discussions in Section 4. We hope this White Paper will contribute meaningfully to the debate around how modern information markets affect how organisations and institutions engage with society to deliver outcomes, and that it will be a useful reference document for policy-makers seeking insight into how they might use reputation as a mechanism to hold organisations and institutions to account.

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San Diego/Oxford, April 2014

2 Policy Implications and Recommendations

In this report, we group our findings under three broad headings – trust, literacy, and humanity. Our recommendations similarly fall under these headings.

2.1 Trust

2.1

Recommendation 1: Encourage Public-Private Engagement
Technology has democratised authority. At the same time it provides tools that allow large groups to know one another. The institutions of state and senior corporate leaders have yet to embrace this democratisation due to fears about losing control. Yet legitimacy and reputation can be gained by embracing this democratisation.

2.1.1

We recommend that government organisations formally ramp up their engagement with society in order to rebuild trust. At a minimum, this public-private engagement should include transparent focus groups, polling, and public consultations. The public sector should formalise relationships with private sector groups to study how governments and corporations can harness technology and instill reasonable principles of transparency and self-policing.

2.1.2

Recommendation 2: Help Manage the Information Cycle
Technology has led to quicker cycles of information, which have a profound effect on reputation. These quicker cycles present serious challenges for policy makers, given the nature of electoral cycles and the media. For businesses, pressure comes from the constant need to (re)act quickly and to deliver short-term financial results.

2.1.3

We recommend that government and business leaders put in place public-private teams to help leaders manage the increasing speed of the information cycle. These teams should include a wide range of media representation. The goals should include managing informational feedback loops, processing information as it arrives in stages and understanding – and potentially avoiding – quick reactions that are conditioned by biases.

2.2 Literacy

2.2

Recommendation 3: Support Financial Literacy

Financial illiteracy is a serious problem in complex modern information markets. Unless there is a real understanding of the causes of economic problems, particularly the recent financial crisis, policy responses are likely to be inadequate. Basic literacy is important, not only in safeguarding vulnerable stakeholders, but also to improve the decision making of policymakers and corporate leaders and ensure that critics offer their views from an informed position.

2.2.1

We recommend a systematic and sustained programme of public and private education related to core financial issues. Both the UK and US governments should target key audiences – policy, regulatory, business and the public – using clear and simple language, and employing technology to articulate basic financial constructs and how they work.

2.2.2

Recommendation 4: Help Counteract Biases

A strong 'herding' tendency occurs, especially around the early expression of views. In the United States, research has uncovered a clear bias toward positive reviews in online consumer rating sites. This herding effect gives rise to misinformation that can be very difficult to correct. Educating the public about these tendencies is important, as is ensuring that there is room for trusted translators and critics within any debate. Policy makers also should create safeguards to prevent powerful information intermediaries from abusing their status and power.

2.2.3

We recommend that government and business create public-private initiatives to counteract biases in two ways. First, teams should ensure that there is a counterweight to the instant views that often dominate search engines and technology-related feedback mechanisms. Second, teams should encourage a culture of welcoming and engaging views that are discordant with early accepted norms.

2.3 Humanity

2.3

Recommendation 5: Encourage businesses to invest in tools that facilitate the desire of people to do good.

Human networks and human impulses underpin all information markets. A clear theme that emerged from the conference is the power of humanity as a force for good in modern markets. There are signs that businesses are starting to recognise their responsibilities in this area. Strong policy initiatives are needed to support and nourish these nascent efforts, which will help to restore trust among business leaders, their employees, politicians, and the public.

2.3.1

We recommend that governments play a light-touch, yet important, role in this area, signaling through their actions that the way businesses relate to society is a national priority. Business leaders should consider formally articulating and embedding a culture of humanity in their mission and vision statements. Policy makers should consider tax incentives and reporting initiatives to encourage investment in tools that make it easy for companies' employees, customers and other stakeholders to accomplish social goals. Technology, in particular, can help stakeholder groups to form information and communications networks that facilitate the basic human desire to do good.

2.3.2

Recommendation 6: Encourage "Yes And" – Particularly in Risk Management

Positive working environments can generate productivity gains and make workers happier and better off. But the increasing plurality of stakeholders that corporations must consider often leads to a focus on risk management, rather than opportunity management, especially in areas such as social media.

2.3.3

We recommend that private and public leaders attempt to harness the power of 'yes and', rather than 'yes but', in their decision-making forums. We do not mean that decision makers should ignore risks or critical oversight, but rather that the analysis should embrace possibilities and be more constructive than restrictive. For example, businesses could focus their risk management efforts, not on regulatory requirements and negative possibilities, but on the potential for positive outcomes.

3 Convergent Themes

The morning after the public conference, several of the speakers and a few invited participants met as the Conference Editorial Board (CEB) to discuss the themes emerging from the previous day's panels and discussions. The participants were:

- Anat Admati, Stanford
- Marco Alverà, eni
- Jordan Barry, University of San Diego
- Steven Davidoff, Ohio State University
- Jesse Eisinger, ProPublica
- David Finn, Microsoft
- Erik Gerding, University of Colorado
- Herb Greenberg, CNBC/TheStreet
- Simon Lorne, Millennium Management
- Chris McKenna, University of Oxford
- Raymond Nasr, ex Google
- Rowena Olegario, University of Oxford
- Frank Partnoy, University of San Diego
- Clive Priddle, PublicAffairs
- Felix Salmon, Reuters
- Biz Stone, Co-Inventor and Co-Founder, Twitter
- Rupert Younger, University of Oxford

Three clear themes emerged from the meeting. We have labelled them as:

- Trust,
- Literacy, and
- Humanity.

Accordingly, we present the output of the conference as a 3x3 matrix of nine challenges facing business leaders and policy makers in thinking about how modern information markets affect their institutions' reputations, and how considerations about reputation should influence decision making in the private and public spheres.

The chart below captures our analytic approach in this document.

	Technology	**Stakeholders**	**Polarisation**
Trust	x	x	x
Literacy	x	x	x
Humanity	x	x	x

Our goal was to set out the key considerations in each area, and then to provide a forum for a discussion around related questions. We did not set out to resolve all the questions but instead to set forth a roadmap for thinking about the issues as they pertain to policy and organisational strategy. Accordingly, this section will discuss the key questions raised in each of these areas. Our hope is that this section will serve as a useful framework for future research, discussion, and decision-making.

3.1 Trust and technology.

3.1

Technology has impacted the role of trust in society and the formation of reputations.

3.1.1

Can we build trust by achieving simplicity through technology? Is the bias toward positivity something that needs to be moderated through transparency and regulation? For example, Professor Aral's research showed that simply removing a fake online review might not be effective because it will have already influenced subsequent reviews. Do organisations have a duty to tell as much of the story about themselves as possible, to shine a light and simplify, or can they engage in unfettered selective information and disclosure? Who has responsibility for looking at this: the regulators or the organisations themselves? Is information easier or more difficult to find on the web/social media, and should there be clear rules set out to protect the public? Does more information lead to more knowledge? Are we seeing an erosion of trust or just a shifting of trust?

3.2 Trust and stakeholder proliferation.

3.2

Companies must inform and engage with their stakeholders, especially those who are external critics, such as NGOs and activists/advocates. Engagement should ensure that the criticisms come from a more informed position, and the trust bank built through that engagement should produce long term reliable interactions. Networks enable interdependence among people; it allows them to help one another. But dense, tight networks (technological and financial) also create fragility because of the possibility of contagion.

3.2.1

Key questions emerge from this starting point. Does an institutional culture of doing well by doing good need to be baked in from the beginning, with a focus on important stakeholders? A culture necessarily is going to emerge, so what should be the path? What can be done differently by established institutions that already have a character and culture? Given the importance of getting on the right trajectory early, should there be more regulatory requirements forcing organisations to be more specific about their responsibilities to all stakeholders and the cultures that will underpin the delivery of this?

3.2.2

The erosion of trust creates levels of responsibility. Trust and responsibility are two sides of the same coin. Which institutions have trust issues and in what way? And what can we learn from the various measures detailing the 'collapse in trust' across all institutions – in government, academe, media, business, and non-profits?

3.3. Trust and polarisation.

3.3

Polarisation is a real risk in modern information markets and creates challenges for institutions and organisations. Bitcoin is an interesting example. It has come into being in part because people have lost trust in the traditional forms of currency and the governments that control them. Do Bitcoin or other alternative currencies require trust in people or just a trust in the basic algorithms and maths? How much relative trust in people is required? Is an alternative currency the right way to respond to a more general lack of trust in governments and banks? It is open source, but is that enough to ensure against fraud and corruption? What should the reaction to a lack of trust be? Will reputation become less important if trust becomes less important?

3.3.1

The polarisation of views about the Vatican is another interesting recent example. The current Pope has quickly and significantly undone at least some of the polarisation about the Vatican, and has generated significant amounts of newfound trust in the organisation. The Pope is an example of how trust and reputation can be turned around without any policy changes, just the application of humanity, humility, and simplicity.

3.4. Literacy and technology.

3.4

There is a serious need for more informed views in the analysis of, and reaction to, complex events and the recent financial crisis is a prominent example. In particular, it is very important for policy-makers to consider the use of technology to engage in clearer and simpler articulation of key financial constructs and how they work. Related to this broader, and systemically important, role of technology and trust, is the role of literacy more generally, particularly when the information disseminated about a particular person or corporation is false. Technology facilitates both the transmission of false information and its uncovering, and policy-makers need to engage more fully to ensure that the right mechanisms are in place to enable the system to police itself well.

3.4.1

Is there a way to use modern information markets to encourage simplicity and punish those who distribute false information? Can we deter opacity? One example is WikiLeaks, and the problem of putting out false information about someone: should this be a crime, like stalking? What should we do to people who put out false information? To what extent are financial markets unique in this area?

3.4.2

Reputation is potentially a more powerful force in circumstances where there is information uncertainty or overload. Does the illiteracy that arises from information overload make it easier to manipulate reputations? Has the internet encouraged the popularisation of all culture, and the death of critics? Or does it create more room for trusted translators and intermediaries?

3.4.3

Publishers are an example of organisations that have struggled because of technological developments, but also continue to play a dominant – though potentially less profitable – role. For example, despite the hype surrounding self-published e-books (Fifty Shades of Grey began this way), publishers have not disappeared, and the USA Today list of Best Books of 2013 contains no self-published books. Although self-published authors can create reputations online, it is still publishers who determine which reputations are sustained. Bloggers, too, can create reputations for themselves, but many then 'cash in' by joining established media. In part this is because publishers have financial clout.

3.4.4

Finally, good reputation can make people transact, but it can also deter people from doing certain beneficial things. How should we weigh these competing themes? How should technology companies communicate when they are acting alone to solve a problem, such as cybercrime, that is shared by their entire industry and society generally. Should they try to obtain reputational benefits for their positive actions?

3.5. Literacy and stakeholder proliferation.

3.5

The proliferation of stakeholders makes literacy more important. To what extent has the ability to make decisions that require a degree of literacy become split between the elites, who have the resources to process a surge of new information, and the average citizen, who might be less likely to be able to interpret data. Do we need expanded participation by average citizens/consumers? If not, does a lack of participation lead to mistrust? How much will improving literacy make democracy, and democratic opposition, more effective?

3.5.1

One example of the literacy-related challenges generated by stakeholder proliferation is the degree to which new information generates profitable business opportunities uniquely targeted at the poor. To what extent is the promise of big data that it enables corporations to make money on the poorest people's information? What issues are raised by the fact that poor stakeholders often are the most vulnerable to being exploited? Should policymakers think again about the safeguards that exist and perhaps also consider promoting education and simple literacy around the subject?

3.5.2

Linked to this question is the issue of the media's capacity to educate the public. Do the media have the power to affect corporate reputations and help promote more literacy and informed debate around this critical issue? To what extent are businesses playing a more powerful role than media by determining what counts as news? For example, what should be done about the 'disclosures' made by some companies that are so complex and filled with jargon that they seem to have been written "by lawyers to fool other lawyers." What should be the role of regulators in uncovering, assessing, and potentially deterring such disclosures? In theory, for-profit intermediaries can help bridge informational or literacy gaps, but there can be a danger in relying too much on such intermediaries, as suggested by the example of reliance on the credit rating agencies during the financial crisis.

3.6. Literacy and polarisation.

3.6

When there is greater opacity, there is the potential for greater polarisation as silos form based on misinformation or differing interpretations of the same information. For example, even sophisticated bankers can exhibit what appears to be financial illiteracy. Some banking representatives have publicly called deposits "assets," when they are in fact liabilities: deposited funds are owed to the depositor, not owned by the banks. The fact that regulators and the media also do not appear to have understood this distinction might help to explain why the regulation of bank balance sheets has not been particularly effective. The media covered banks for years before the financial crisis, but few people achieved a meaningful degree of financial literacy.

3.6.1

Are we now facing a similar problem with data literacy? People have little understanding of data now. For example, what percentage of people know their account information has been stolen? If people are not literate, it is difficult for a well functioning reputation market to evolve. Simply put, if people are ignorant, they cannot confer reputation: reputation comes from people.

3.6.2

More generally, there is often polarisation between the truth and what people are told. But in such circumstances, what is the role of disclosure? Does disclosure make wrongful behaviour somehow more acceptable? Relatedly, what should the language of criticism be going forward, so that nuanced ideas are not ignored? If positivity snowballs, does this behavioural effect help explain other phenomena, such as market bubbles? Would being aware of the tendency towards positivity help people to avoid participating in bubbles? How might people counter the bias towards herding?

3.6.3

Another manifestation of polarisation is that some companies consistently are in the spotlight, and some companies receive almost little or no attention. To what extent are the people and organisations that receive a great deal of attention, and develop reputations based on that attention, able to change those reputations. Polarisation can simplify people's reputations, but it can trap them, too. For example, when J.K. Rowling wrote a non-children's book under her own name, critics were severe. When she wrote a book using a pseudonym, the critics were much kinder.

3.7. Human behaviour and technology.

3.7

"Human behaviour" refers to a set of issues broadly defined as encompassing our humanity and behaviour, and our unique reactions to modern information markets as human beings. Behavioural science has shown that humans can react to information in ways that are inconsistent with their own preferences and well-being. Technology has speeded up many human reactions, for better and often for worse.

3.7.1

For example, human beings often tend to herd when presented with information. This herding can be negatively biased, as when people form unwarranted views of a policy position that differs from their own. But herding also can influence people to be more positive than they otherwise would be. People have the capacity to complete more and bigger tasks collectively, providing there is the technology that allows even large groups to know one another. For example, if the goal of a particular endeavor is to improve society in some way, the key is to give people the tools to do good, and then make it easy for them to do so. Technology can facilitate such objectives.

3.7.2

There are some new technologies, such as Snapchat, where information is, by design, ephemeral. Is this where technology is headed? What can policy-makers do with the technological tools available today to help counterbalance herd instincts, both positive and negative? How are humans more likely to react to ephemeral information? And how does the time scale of decision making affect decisions about policy? Has technology led humans to "over discount" the future, assigning minimal costs and benefits to future generations?

3.8. Human behaviour and stakeholder proliferation.

3.8

The challenge of understanding human behaviour becomes even more complex when multiple constituents have a stake in a particular decision or plan. How should organisations and regulators accommodate the wide-ranging preferences of varied groups, particularly when it is expected that some members of these groups will tend to over-react or under-react?

3.8.1

One example is philanthropy. To what extent should organisations be involved in philanthropic activity? How should the leaders of organisations decide which activities to promote and prioritise? To what extent is philanthropy marketing? When does philanthropy become manipulative, or even cheating? Can philanthropy ever be a negative, and – if so – when and how?

3.8.2

Companies that engage in bad behaviour in one area, while cultivating a good reputation in another are arguably misleading their stakeholders. Nonetheless, should the good behaviours that are pursued in order to build a good reputation still be encouraged? What happens when a manager's preferences differ from those of some or all of his company's stakeholders? Which stakeholders matter for reputation purposes?

3.8.3

There are times when companies choose not to contribute to industry-wide solutions to common problems, or engage in behaviours that benefit them at the expense of their industry or society generally. What can be done about the free rider/commons problem, where companies are incentivised to come up with market solutions rather than work together as an industry to solve common problems? For example, should the computer software and technology service industries be encouraged to solve the problem of cybercrime together, or is it preferable for individual companies to come up with proprietary solutions that they can then sell to consumers?

3.8.4

More generally, what is the role and future of the media as a transmission mechanism for stakeholder views? Can the media meaningfully assist human beings in overcoming their own biases, or do media biases exacerbate the problem? If the media cannot generate sufficient profits in order to play a meaningful role as a transmission mechanism, should policy makers subsidise any aspects of the generation of information as a public good?

3.9. Human behaviour and polarisation.

3.9

Herding behaviour often tends to polarise views and decisions. For example, the herding behaviour observed on the internet can create a tendency toward positivity. Recent research, including that by Sinan Aral, suggests that online reputations lead to polarisation because positive reviews have a strong tendency to affect subsequent reviews. Conversely, negative reviews do not appear to have similarly strong effects.

3.9.1

How do reputations end up becoming polarised? Do people and institutions obtain a reputation for doing good things or bad things, notwithstanding how their actions are publicised, or is reputation more influenced by public relations and media efforts? Does manipulating reputation work?

3.9.2

How should we try to understand what the "character" of a company or institution might be? Should we anthropomorphise a company? Which people's character does a company take on? Does character come first, and then reputation later?

3.9.3

Is the polarisation of reputation a question of politics and power, or is it about something deeper related to human behaviour? When the managers of a company have two choices that are economically equivalent, do they have a responsibility to do the more positive one instead of going along with the status quo? Is fraud priced in, or is it not priced in because of human error? Should institutions have a duty to take the more negative or critical path? If there is pressure on companies to take this path or be more positive, which will they take?

3.9.4

In other words, do uniquely human attributes make it more likely that people and institutions will become polarised? If so, what can human beings learn about those attributes in order to minimize unwarranted polarisation, or to address polarisation in ways that will lead to better decisions and policy.

4 The Panels

The conference generated multiple and diverse perspectives on three crucial issues confronting modern information markets:

- Technology,
- Stakeholder Plurality, and
- Polarisation.

4.1. Technology

4.1

This panel was moderated by Frank Partnoy, George E. Barrett Professor of Law and Finance and Founding Director of the University of San Diego Center for Corporate and Securities Law.

Speaking on the panel were:

- Sinan Aral, Professor, MIT Sloan School of Management
- Clive Priddle, Publisher, PublicAffairs
- Felix Salmon, Finance Blogger, Reuters
- Biz Stone, Co-Inventor and Co-Founder, Twitter

The panel discussed the role technology has played in the formation and destruction of reputation. The advent of high speed broadband and the proliferation of digital technology have created opportunities and threats for organisations, institutions, and governments around the world.

4.1.1

Publisher Clive Priddle opened the discussion with a view from a business – publishing – that was deemed to be most threatened by technology. Far from being the death-knell of traditional publishing, the web has created new opportunities for publishers and the ability to harness and present deep content in more engaging ways.

4.1.2

"The web has unquestionably simplified reputation. It encourages silos. Some who have created strong reputations in one space, may find themselves trapped by their own success".

Clive Priddle, Publisher, PublicAffairs

4.1.3

Sinan Aral, David Austin Professor of Management and Associate Professor of IT and Marketing at the MIT Sloan School of Management, is a leading expert on social contagion, product virality, and measuring and managing how information diffusion in massive social networks such as Twitter and Facebook affects information worker productivity, consumer demand and viral marketing. He provided research-led insight into what he termed the "herding effect" – the tendency for online users to converge around early views when giving a ranking to a particular product or experience. This finding clearly has significant implications for the way policy-makers and organisations need to think about their engagement strategies when seeking to build and secure support for new initiatives.

4.1.4

"You have this potential for herding and snowballing of reputations which creates winner take all or superstar markets."

Professor Sinan Aral, MIT Sloan School of Management

4.1.5

Felix Salmon, the Reuters Finance Blogger, discussed how the web is changing who becomes an authority, the way respect is earned, and the impact these changes have on reputation. Technological advances and the ubiquity of information provide an opportunity for everyone to have a voice and for views to be expressed in a more democratic way.

4.1.6

"New ways of expressing opinion which are much more gut-based and image-based and simple is going to be absolutely critical. That is going to involve a change in the way that companies think about the people they reach and how they communicate with them."

Felix Salmon, Reuters

4.1.7

Finally, Biz Stone, Co-Inventor and Co-Founder of Twitter, who is now involved in the next generation of technology entrepreneurship, focused on the role of humanity in technology. He pointed out that technology is an enabling tool. Millennials have increasingly used technology to express their views about the type of businesses in which they want to be involved. Organisations are being held to account for the way they do business rather than simply judged by their financial performance. Technology has narrowed the gap between doing good and doing good business, and these will continue to converge.

4.1.8

"The future of marketing is philanthropy or altruism. The smarter educated moneyed consumers are not just looking for a product, they are looking for meaning behind the product that they are buying."

Biz Stone, Co-Inventor and Co-Founder, Twitter

4.2. Stakeholder Plurality

4.2

This panel was moderated by Rupert Younger, Founder Director of the Oxford University Centre for Corporate Reputation.

Speaking on the panel were:

- Steven Davidoff, Professor, Michael E. Moritz College of Law at Ohio State University
- Jesse Eisinger, Senior Reporter, ProPublica
- Tony Hadley, Senior VP of Government Affairs and Public Policy, Experian
- Raymond Nasr, Former Director of Communications, Google

The panel discussed the issues relating to stakeholder plurality – the fact that in modern information markets there are now many more actors opining on any issue. This plurality affects the creation and destruction of reputation. Organisations and institutions have been pushed to adopt ever more sophisticated engagement strategies with their multiple stakeholders.

4.2.1

Tony Hadley, Senior VP of Government Affairs and Public Policy at Experian opened the panel with a view from business. He outlined the multi-stakeholder approach he takes at Experian to manage audiences with different but interlocking agendas. He observed that organisations still see stakeholder engagement through the lens of risk management rather than as an opportunity, and that modern information markets should push organisations to innovate and improve in this area.

4.2.2

"We try to have a mutual dialogue about issues that our stakeholders might be concerned about so that if they criticise Experian – and they do – they are going to do it in a well-informed way."

Tony Hadley, Experian

4.2.3

Jesse Eisinger is a Pulitzer Prize-winning senior reporter at ProPublica, covering Wall Street and finance. He also writes a regular column for The New York Times' DealBook section. He argued that corporate power is at its zenith and that there is a huge imbalance in the resources available to corporations and their managers versus journalists. The result is less objective and critical reporting of organisations, and in modern information markets the lack of objectivity becomes amplified through multiple stakeholders. He also observed that the structure of modern journalism tends, at least in the US, to lead to a positivity bias.

4.2.4

"Corporate power is at an absolute zenith in the country. What this means for the media is that we have almost no power to affect corporate reputation. All the CEOs who blew up their entities have sustained no reputational damage."

Jesse Eisinger, Senior Reporter, ProPublica

4.2.5

Raymond Nasr is former head of communications at Google and is currently a Senior Communications Coach and Seminar Leader at the Graduate School of Business at Stanford University. He also has a communications consultancy advising a number of start-up companies and venture capital firms, including Twitter, Pandora Media, Snapchat, and Innovation Endeavors. He looked at the way news cycles emerge around corporations and identified four phases: 'top of the hill', where an organisation is doing very well and being seen to do so; 'perched for a fall' where there is a sense that the organisation is about to hit trouble; 'in the dumpster' where organisations are firmly having to deal with major issues; and 'poised for recovery' which is where organisations are seen to be doing a good job of building a recovery story.

4.2.6

"Time compression in the advent of social media such as Twitter and Facebook has crippled the ability of most organisations to stay ahead of a story. It is no longer a matter of 24 hour news. Instead, a story breaks in nine seconds on Twitter".

Ray Nasr, former head of communications, Google

4.2.7

Finally, we heard from Steven Davidoff, Professor of Law and Finance at the Michael E. Moritz College of Law at Ohio State University. He writes a weekly column for the New York Times under the name 'The Deal Professor'. He demonstrated how technology has opened up the possibility of critical journalism by recounting his foray into blogging in 2007, when he wrote about mergers and acquisitions deals. His blog quickly caught the attention of lawyers and PR firms, and ultimately The New York Times and its readers. He has only one stakeholder – those readers – and his experience suggests that some readers want journalism that is not commoditised but has a clear, critical view.

4.2.8

"Reputation is just harder to control. There is a whole movement out there, people who are trying to make their living giving views and criticism. You never know where it is going to come from. You never know when one mis-step is going to get caught in the news cycle"

Steven Davidoff, Professor of Law and Finance, Ohio State University.

4.3. Polarisation

4.3

This panel was moderated by Rowena Olegario, Senior Research Fellow and Research Coordinator at the Oxford University Centre for Corporate Reputation and Victor Fleischer, Professor of Law, University of San Diego School of Law who writes the "Standard Deduction" column for The New York Times DealBook.

Victor Fleischer co –moderator of panel

Speaking on the panel were:

- Anat Admati, Professor of Finance and Economics, Stanford University
- Marco Alverà, Senior Executive Vice President, eni
- Herb Greenberg, Commentator and Editor, TheStreet and CNBC
- Chris McKenna, University Reader in Business History and Strategy, Oxford University
- Simon Lorne, Vice Chairman and Chief Legal Officer, Millennium Management

The panel's core questions were whether technology and the proliferation of stakeholders are polarising opinion in modern information markets, and what might be the impact of polarisation on reputation.

4.3.1

Herb Greenberg, Commentator and Editor at TheStreet and CNBC traced how changes in the rules of engagement and accountability that govern those who disseminate and consume information have polarised opinions. News editors now respond to the number of clicks a story generates; stock message boards generate new knowledge bases and discredit some established journalists; bloggers enable journalists' sources to reach readers directly; and social media democratises and commoditises information so that today people can more easily choose information that reinforces their own opinions.

4.3.2

"The way the markets reacted to the Herbalife stock shows you how people now can be selective in their information, how polarising knowledge has become, how you can pick and choose who you want to listen to."

Herb Greenberg, The Street/CNBC

4.3.3

Marco Alverà is Senior Executive Vice President of eni Trading reporting directly to the Group CEO and focusing on the integration of commercial and trading activities within the portfolio optimisation, supply and Liquefied Natural Gas (LNG) activities. He commented that modern markets drive business leaders to speak and behave in more polarised fashion in order to help their organisations stand out. He maintained that long-term stakeholders – shareholders, employees, business partners, and governments – are not subject to polarisation, but that short-term shareholders focus too much on earnings announcements, rumours, and negative stories. Leaders need integrity and courage to maintain a long-term focus.

4.3.4

"The long-term stakeholders have not really been subjected to this polarisation. It is completely different though when we think about short-term stakeholders, who have indeed become a lot more polarised."

Marco Alverà, eni

4.3.5

Anat Admati, Professor of Finance and Economics at Stanford University looked at the information and opinion flow surrounding the financial crisis, concluding that the polarisation of views was not always based on proper analysis. The details that underpin a proper explanation of the crisis are too nuanced to get a proper airing in modern information markets. Financial intermediation is now complicated, highly interconnected, and extremely fragile, and political leaders offer narratives to justify their intervention. They portray the crisis as a broken plumbing system, or a natural disaster in which the population needed to be saved, or an airplane crash whose causes were unclear. People are angry, but they don't understand what the problem is because the explanations offered to them are misleading. Policy makers should take responsibility for their own failure to contain risk instead of just telling these stories.

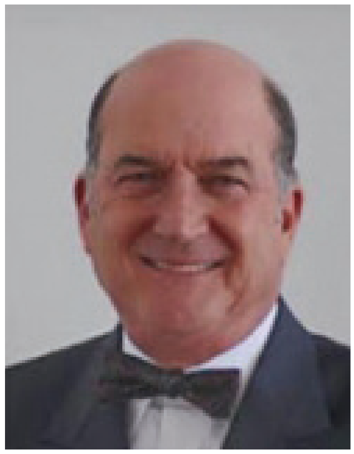
4.3.6

"What you have here is a situation of great polarisation between truth and what you are told. That is the worst polarisation. However, unless people understand it and put more pressure on this system, it is not going to self-correct."

Anat Admati, Stanford University

4.3.7

Simon Lorne, Vice Chairman and Chief Legal Officer at Millennium Management, a global Hedge Fund with more than 1300 employees, argued that the key change is not the average polarisation but how people pay attention to new information. One hundred fifty years ago, it was unlikely that a local news story would have spread around the country. Forty or fifty years ago, there were only two newspapers in each U.S. city and only three national TV channels. Even if a story hit the national news, it would go away after a day or two. Today's stories often last longer, and the first burst of attention affects the degree of polarisation.



4.3.8

"As information spreads much more quickly, and is purveyed by a number of different people, we have a lot of different kinds of attention being paid."

Simon Lorne, Millennium Management

4.3.9

Chris McKenna is a University Reader in Business Strategy and History, a Fellow of Brasenose College, Oxford, and the Director of the Novak Druce Centre for Professional Service Firms at Saïd Business School, University of Oxford. He observed that there are three polarisation literatures: sociology/political science, on elites and public opinion; economics, on employment and the loss of traditional, well-paying middle-class jobs; and physics, on the alignment in crystals that refract light and can be blocked by filters. The history of the Polaroid Co., whose core product now consists of polarised sunglasses, is one where all three polarisations occurred. Over time, the high-paying factory jobs at Polaroid disappeared, and new technology companies have not created new jobs to replace them.

4.3.10

"Do you know how many people worked in Instagram when it was bought for $1 billion by Facebook? Thirty. So when you lose 20,000 jobs in Polaroid, you replace them with 30 by the company that makes almost same thing. That is the polarisation of those jobs."

Christopher McKenna, professor of strategy and business history, Said Business School, University of Oxford

Appendices

Appendix A How Reputations Are Won and Lost in Modern Information Markets

Panel 1: Technological Change

Frank Partnoy: My name is Frank Partnoy. I am the George E Barrett Professor of Law and Finance at the University of San Diego School of Law, and I am the founding director of the Center for Corporate and Securities Law. We have had over the years a number of very interesting events, conferences, sponsored research, at the center, and we are very excited today to be co-sponsoring a conference on media and markets, how reputations are won and lost in modern financial markets.

The first thing that I want to do is to ask Rupert Younger to raise his hand and say hello. We are co-sponsoring the conference with the Oxford University Centre for Corporate Reputation which Rupert founded in 2008. It is a remarkable centre and he is a remarkable guy. You will be hearing from him when we have the second panel.

I thought I would just take a couple of minutes first, just a pause for Biz Stone, who is out using the rest room right now, but also to say a few words about how the conference came about and what we are planning to do, and to give you a little bit of a roadmap to follow for the day.

This conference, like a lot of great ideas, started over pints at The Bear in Oxford. I am an international research fellow for Rupert's centre, and we were talking about our respective interests, the Oxford centre's interest in corporate reputation and our center's interest not only in corporate and securities law, but in modern information markets and financial regulations, and financial markets generally.

We decided "These are two interesting strands of ideas, let's hold a conference and try to put the two ideas together." This was in September or so. At the time Oxford had the comparative weather advantage then. It was a lovely night and Rupert very wisely said "Let's do this in San Diego", anticipating that it would be 78 today and sunny. I think the reason why we might have a dearth of students here today is in part because they are out surfing or golfing instead of getting all of our wisdom.

But that was where the idea came from. The first thing that we talked about was figuring out who the great minds are that we would be able to get. You have in your programme a list of 13 wise people that you will hear from today.

The idea was to get people from academia, people from business, and people from journalism. We have all three of those represented.

Here is the plan. The idea is to talk about modern information markets and reputation, and we decided that there were three broad, umbrella topics that we could consider. The three topics are listed in the programme. The first one, which we will get to in just a second, is on technological change, how social media, hardware and software technology, the proliferation of new uses of information and information transmission mechanisms, have affected reputation. We will do that. We will spend 75 minutes. Each person will give a speech of about seven or eight minutes. Then we will all mix it up. I will be the moderator for the first panel and then we will take questions from you. Then we will take a break.

You can mill about, talk about how wise we are; enjoy the sun. Then we will do another 75 minutes that Rupert will lead on the plurality of stakeholders and audiences.

The idea here is related to technology is that again, the Internet, social media, changes in information markets over time, has made it much more complex to preserve corporate reputation. Who is the audience? It is not just about shareholders or traditional stakeholders, it is much more global. It is much faster moving. So we will have again speeches and then panel discussion of stakeholders.

Then Panel 3 will be on polarisation. Again, a related idea but the umbrella set of topics about how opinion in information markets have led to opinion becoming more polarised, that not just MS and DC versus Fox News, but more generally in terms of thinking about a corporation. You either love Walmart or you hate Walmart. The idea is that there is more of a split and to examine the causes of that split.

My role and Rupert's role, and for our third panel Vic Fleischer, my colleague, and Rowena Olegario, one of Rupert's colleagues at Oxford, will be largely to step aside and let our panellists shine, but also to mix it up a little bit.

We have just had a lunch, and the main purpose of the lunch was to figure out what the order of the panellists would be. That was the profound insight that we had. I am still not quite sure exactly what the order is but I will just go ahead and cement it now, which is that we will start with Clive Priddle, the publisher of PublicAffairs, who has published many, many brilliant books, and also has published my last two books; and then we will have Sinan Aral, who has done some fascinating research. He is a professor at MIT on social networks, and he will have some pictures to show you about a couple of recent experiments.

Then Felix Salmon will offend everyone in the audience in some way or another – hopefully me at the forefront. Then Biz Stone will have some soaring insights and genius rhetoric to take us all home into a discussion.

That is the plan. I am very honoured to be among all these folks. Tara is here, so thank you to Tara Murphy, especially, and to Trang Pham, who have been the organisers, who have put all this together and got all these brilliant people here. So let me make sure that we clap for you two. [Applause]

I was supposed to stall for 15 minutes. That is exactly what I have done. It is 1.45, so we will keep the trains running exactly on time and we will start off with Clive.

Clive Priddle (Publisher, PublicAffairs): Thank you, Frank. Thanks so much for inviting me here. It is really a great pleasure to be here. I am a book publisher, so my talk is going to be what book publishers know, which is a couple of stories, and then the others will go off into much more high concept areas.

Book publishing is an interesting thing to think about reputations and markets, not least because there are a lot of human interactions in book publishing traditionally, there always have been; and reputation therefore has many ways in which it can insert itself into the process. In the arrival of e-book publishing, the digitisation of the publishing process, I think everybody expected that somehow all these people who are gathered into the publishing process might at some point get disintermediated.

I am going to tell two stories. The first is really about internationalisation, globalisation; and the second is a story which I think hints at a future in terms of what the digital effect on publishing may be. Both I think touch on the way that the publishing market works and on the reputations and how they play.

In 1996, the agent, Andrew Wylie, was approached at the Frankfurt Book Fair by the then editorial director of Rizzoli, who passed him a small book. She told him that she had had a terrible time trying to sell it to English language publishers, despite the fact that the book had sold half a million copies in Italy for Rizzoli and 400,000 for Albin Michel in French and 300,00 for Piper in Germany, no English-Language publisher would look at it.

So Wylie took the book. The next day, the book, unopened, unread, he returned it to the Rizzoli stand with a note which read: "We are not the right agent for this book."

He had made a judgement on the basis of the reputations of the three publishers, Rizzoli, Albin Michel and Piper, which he reckoned too commercial, implying the book was not up to the Wylie agency standards. It was not good enough.

A year later Wylie reads the book, "Silk" by Alessandro Barico. By then a very modest deal has been done in London for the book, on whose behalf Farrar Straus has agreed to distribute it in America. Wylie approaches Rizzoli and Barico and asks if he can resell the book to Knopf and Vintage specifically. He thinks he can persuade Knopf to overlook the fact that there are already copies of the book floating around in the American market.

He knows he has got to follow a well-trodden path. Rizzoli's editorial director, the British publisher, and Jonathan Galassi at Farrar Strauss have all pitched the book to Knopf's Marty Asher, who sighs when Wylie asks him yet again to just read the book.

But read it he does, and he offers Andrew Wylie $10,000. Wylie responds that he must have $50,000 and at that level the deal is done. Wiley's reward is that Barico makes Wylie the agent for all his foreign language rights thereafter and "Silk" in English has been in print ever since.

So, Wylie's instinct that commerce threatened reputation was widely shared at the time. Publishing reputations are still based on two sometimes contradictory accomplishments: the establishment of taste or quality or originality, and sales volume. In some publishers one side of the business often supports the other. The two rarely meet socially. So Wylie's insight was that an elite reputation was a potentially commercial commodity that could and perhaps had to be established internationally. Even in 1996, in the words of his British business partner, from whom he had just severed his agency, he was pursuing global domination.

Wylie represented Philip Roth, and he attributes Roth's late flowering, critically and commercially, to finding a new combination of publishers, so Wylie's opinion, the lustre of the French, German and Italian publishers, transformed Roth's global critical perception, and with it his sales. It was not his English-language publishing, it was not the reviews.

Wylie pursued the estate of Jorge Luis Borges, believing that if he represented Borges' work, it would send an unmistakable signal to Spanish publishers. He is sure he would not be the agent for Roberto Bolaňo had he not first had the name of Borges on his client list.

Importantly, Wylie always sold direct. There were no intermediaries, so he could determine the publishers across Europe for his writers, reinforcing the message of quality from one country to another.

He added China to his focus when three Chinese publishers offered more than $100,000 for a licence to reprint Borges, and they then went on to buy a lot of other books from Wylie. I think his model was just perfect for an era of globalisation. Uninhibited by language, his agency became powerful and wealthy, and he insists – "he would, wouldn't he?" but he does – that the Wylie Agency is the most powerful literary agency in France and Italy, and that is no small claim given that he has never opened an office in either country. His construction of reputation was fundamental to his success. He is, he says, at least as reputation-conscious as any of the publishers to whom he sells; and he said to me directly, "If we represented Danielle Steel, that reputation would be destroyed." And I think he is not alone.

I can think of one or two other agents who would consider the way they go about their business in exactly the same way.

Publishers were much less adept at adjusting to the era of globalisation. They tended to publish in only one language, and even the largest international groups had limited day to day synergies between their German, French, Spanish and English-speaking companies. When Penguin and Random House merged in the middle of last year, July 2013, their new masthead declared them to be the world's first truly global trade book publishing company. I think that is a little premature. They are very big but they publish only in English and Spanish and, by association, German. Their reputation is now spread among widely differing fields from divisions as unlike one another as Penguin Press and G P Putnam, and Wylie, for instance, has sold a large number of books to Penguin Press but in 34 years has never sold one to Putnam.

So the publishers' raison d'être in the pre-e-book era was that they could warehouse and ship books to retailers, tasks that no author would sensibly want to do. That gave them a reason to be in the chain of decision-making.

So obviously the radically disruptive element to hit publishing in that respect has been electronic publishing, which takes away the need for warehouses and, to some extent, for distribution. It looked as if authors might finally be free of the need of publishers. Authors like Amanda Hocking.

In 2010, Hocking, wanting to earn $300 to attend a Muppet Convention in Chicago – she is a big fan of Jim Henson and describes herself as a Muppet activist; she has a very good line in self-deprecating humour – decided to try to raise the cash by selling her fiction on line. Among her works was a vampire novel set in her hometown of Minneapolis. After nine years of rejections from publishers, her bottom drawer of unpublished manuscripts was turned into a goldmine. Hocking sold them direct cheaply online all through Amazon. After 18 months she had sold 1.5 million copies and she got to the Muppet Convention.

The Guardian's profile of Hocking in 2012 declared that she "changed publishing for ever" and so it seemed. She had appealed to an online market without the benefit of any of the traditional publishing apparatus; and yet, in 2014, Hocking is a very well paid author, but she no longer publishes direct for Amazon. St Martin's Press, the Holtzbrinck Company, has acquired the rights for her books. Old school publishing has moved in and Hocking now looks like a new version of a familiar publishing feature: a successful genre commercial novelist but not a revolutionary.

She created her reputation on-line. St Martins is now leveraging that or simply filling the demand that has been created. This, too, is the traditional publishing practice, one that Arthur Conan Doyle, whose Sherlock Holmes stories were published by The Strand and other popular magazines, would have recognised in his day.

Also, the international digital marketplace is not so smooth that authors can easily navigate it alone. It may be less burdensome than having to create your own web offset printer, but if, as my employer, the Perseus Books Group, does, you want to sell your English language books to 80 countries around the world, you have to negotiate a raft of different vendor agreements and coding needs. Until and unless these condense into a single global industry standard, the demands will defeat most authors and leave some space for publishers to provide a service in a digital world.

Publishers, of course, retain a place in the business of writers and readers for one obvious reason: money. We offer authors non-returnable guarantees of income. Advances, in my view, have unquestionably democratised the world of writers. This is not a widely shared opinion, but it is mine. Commercial publishing, by offering writers an income, broke the stranglehold of the rich, religious, the propagandisers and the guilds. Publishers, now routinely accused of being elite gatekeepers of the medium, were once the vulgar newcomers who had the indelicacy to offer to pay writers for their work.

These advances – this is the twin markets of publishing – as they became larger, became market makers or almost internal markets of their own. If you spend $1 million on a book, then almost by the advances definition it had to be a successful book to someone.

Publishing is littered with examples where advances do not match sales. But the web has, if anything, accentuated the notion that commercial books are more commercial, and small books are the more minuscule, and so the risks to spend big money are greater than ever.

There is one other thing that the web I think has done which I am sure the other speakers here are going to touch on much more eloquently and distinctly than I can. I think it is has unquestionably simplified reputation. It encourages silos. This can help make an author, as it did with Hocking or E L James or Sylvia Day. But it can also somewhat imprison them. Some who have created strong reputations in one space may find themselves trapped by their own success. I think J K Rowling is especially interesting in this regard.

She created the pseudonym of Robert Galbraith in order to escape from Harry Potter, and without her reputation, or the ability to promote her book in person, Galbraith's The Cuckoo's Calling, sold rather poorly. Reviews, though, were good. In sharp contrast to the other non-Potter book she published under her own name, the Casual Vacancy, which, though it sold well, was judged by Michiko Kakutani, and others to be banal and dull.

So critical reputation for these books was in inverse proportion to sales. It certainly seems that the traditional arbiters of reputation were ineffective here. I think that is certainly changing because of the nature of the web-based communities. The critics' bite has certainly lost some of its sharpness.

But to suggest that reputation had no role is clearly not right. Readers value J K Rowling's reputation. They have no connection with Robert Galbraith.

The Cuckoo's Calling was worth more when readers understood that it came from Rowling.

The most distinct figure – the only real statistic that I want to throw into this conversation – is one that was released yesterday - helpfully for me. It is that the USA Today list of the hundred best-selling titles in America in 2013 included not one self-published author. That actually really is incredible. For the past several years there have been a number of incredibly successful self-published authors who have achieved great sales and it is I think a real indicator that traditional publishing has moved into some of these channels, the web-based channels, where self-published authors were doing their own work and publishing under their own name. Publishing now has caught up with them, found them early, and the marketplace for the future, in my view, looks much more like the traditional publishing marketplace than the brave new world that we were expecting a few years ago.

Sinan Aral (Professor, MIT Sloan School of Management): Thank you guys for having me. It is an honour to be here. I am a professor at MIT and an entrepreneur. I started and sold a couple of companies in the past. And my latest company, which is called HUMIN is launching on Tuesday at DLD. So, in this role as a scientist and entrepreneur, I go back and forth between the need to not look at data order to innovate because if you just look at data to see what consumers want, then you will be stuck in the present day and never be able to see what the next big thing might be if you gave it to them.

On the other hand, as a data scientist, when I put my data scientist cap, data is my raw material. Most of the conclusions that we can draw I think come from data, so what I would like to do today is present some, put some meat on the table so that everybody can use it to form their own opinions and start a debate and a dialogue.

What I would like to do is describe two experiments that we have done recently around reputation online. I have done a bunch of research on social networks and social networking online; but more recently we have come to this notion that reputation online is potentially fundamentally different and also critical when it comes to things like online sales. So Clive's example of actually attaching an identity to the book and then getting the sales, J K Rowling was one, and Felix gave us a good example at lunch where somebody was or was not hired based on what they had been saying on Twitter, and their online reputation, which preceded them.

So the thing that we are interested in is what does data science say about online reputation? I want to take a data driven, experimental and therefore causal statistical approach and something that is scientific, not correlation, real experiments, real data, on millions of observations. What does it say about online reputation? What are the dynamics of online reputation?

Let me start with a story. I went to lunch at a restaurant called DOJO in the West Village in New York not too long ago. I had been there many times in the past. It is not a bad place; it is not a great place. It is sort of average.

Afterwards, I wanted to rate the restaurant. I was thinking about giving it a 3 out of 5 stars. On most dimensions, it was average in my mind. I went to rate the restaurant on Yelp. You can see on the screen a picture of it. In the corner you see my picture there, I am logged in, about to rate DOJO the restaurant. There right next to where I am about to give my own opinion is Shar H waxing poetic about the five-star rating that she gave it; the prices being amazing, the fresh, amazing, sweet and tartar ginger sauce that she had while she was there. I read this and I said, "You know what? She has got a point." For what it is the prices were pretty good. That dressing was a lot better than I remember it. So I gave the place a 4.

I thought to myself "This is not good because that is not what this system is supposed to be doing." It is supposed to be eliciting my independent opinion, aggregating independent opinion, so that the consumer has an unbiased objective view of what the population thinks of this restaurant.

So we did some experiments and we published them in Science. What we did was we randomly manipulated ratings. I know that that sounds a little notorious. But we worked with the website that we were collaborating with and we just went in and before anyone else had a chance to vote, we randomly up voted or down voted certain items on a news aggregation website similar to Readit or Dig. Com.

We wanted to see how these random perturbations in the online in reputation signal at the beginning would affect reputations at the end. The results were dramatic, surprising and a bit scary. The first thing that we found was that we could create a 25% increase in the mean score of the item with a single rating at the beginning. A positive rating generated a herding effect of positive opinions about this item which created a 25% increase in what that would have been rated had we not manipulated it. Dramatic. 25% is a lot.

In addition, the negative manipulation had no effect, so it was asymmetric. What you see here is that people who saw the positively manipulated comment were 32% more likely to vote positive on that comment than had we not manipulated it. The people who saw a negatively manipulated comment were also likely to negatively herd, vote negative on the negatively manipulated comment. But it was overwhelmed by what we call a correction effect. People looking at a negatively manipulated comment and saying, "You know what? I am sceptical of that. I think that is wrong. I am going to go in and correct it" and had a greater likelihood of voting positive than voting negative.

We found that people were willing to go along with the positive opinions of others online, but be sceptical of the negative opinions of others. This creates some dramatic effects.

In other words, you have this potential for herding and snowballing of reputations which creates winner take all or superstar markets. So this positive herding snowballs into rating stardom. You are 30% more likely to exceed a score of 10 if we positively manipulate your comment with one vote and that is no small task because the mean rating is 1.9. So your ratings snowball into this stardom.

On the negative side, negative herding is neutralised by this correction effect. So the rich are getting richer, and the poorer are staying poor.

What are the implications? Well, one thing is companies might want to encourage positive consumers who have a true positive experience to rate and to rate early. Why? Because this will taint the views of the people who come after them to rate.

But if you think more deeply as a scientist and a citizen of the world, what does this mean? So when Yelp does fraud prevention, what it does is that it builds machine- learning algorithms to determine whether something is fraudulent or not. And when it does, it rips it out of the ratings and reviews.

Whether or not they have an accurate machine-learning algorithm that identifies things as fraudulent, let us assume that it is 100% accurate. It does not solve the problem when you think in the context of these results, because as soon as you rip out the fraudulent reviews, there is still this insidious effect that those reviews had on every review that was seen after them, and so the positivity seeps into the system, and by pulling out the fraudulent reviews it does not solve the problem in any way.

What does this mean for sales and stock prices? We know that reputations online are correlated with and drive, causally drive, sales online. There are lots of studies of Tripadvisor and others, which show that hotel stays, books, and so on, sales are driven by reputation.

You can also imagine that this kind of herding mentality in human behaviour could drive bubbles in stock market prices, and in housing prices, if we all are basing our opinions on the higher opinions of others.

I had a particular experience which is that we were writing this paper during the presidential election of 2012. I kept hearing poll results on MPR saying, "So and so leads" or "So-and-so's approval rating is 90%." The question which jumped out at me while we were seeing these results was: are these polls predicting the results of the election or are they actually driving the results of the election? If I hear that 90% of the population thinks that Obama is doing a good job, do I say to myself, "Well, maybe he is doing better than I thought he was."? Just like I did when I went to rate DOJO online.

The other experiment that I would like to describe to you goes to Clive's point about J K Rowling, which is about the role of identities. Identity and content are intricately linked in online forms. Every time you post something, you Tweet something, your identity is there. It is essentially what makes social media social because your personality is attached to it. You have friends. Those networks are structured in a certain way that drives who reads you, who votes you up, who votes you down, and so on.

But it is also the foundation of new social advertising. These are examples of Google's Friendorsements. When you do a search for something now if they have you on Google Plus they will take your friends on Google Plus and they will bring their ratings of products to the top as you search for something. So Maria Garcia, searching for bagels, gives five stars for this particular search results, Bageljoint, and also her user-generated content is attached, and Roger Willis is saying, "Hey! It is great value. I think it is five stars." They are pulling that social data. They are attaching it with an identity to the ad.

Facebook obviously does social advertising where if you are a fan of a brand, then they will wrap an advertisement round that and use your identity and the fact that you liked it as a form of social advertising or social proof to those who you know and who trust your opinion about things like that.

So what we did was we wanted to understand how does this identity present affect people's opinion. If we did another experiment on the same website which is like ReadIt or Jig where we suppressed the identity information for 5% of the post. So 95% of the post operated as normal. They just had the poster's name there. In 5% of the posts the identity information was suppressed. We told everyone what we were doing. We just wanted to understand what the effect of identity was and that sometimes you will see something without the author's name.

What did we find? We found that commenter's identities significantly changed turnout and positivity in both directions. In other words, for some people showing their identity creates for them greater voting by the population and either more or less positive voting for the individual.

So if Frank is posting an article and you attach Frank's name to it, his reputation will precede him and everybody will vote it up more than they would have if Frank's reputation were suppressed.

If I post an article and my reputation is horrible, my reputation will hurt my chances of being voted on and people voting positively. I suspect the same thing happened to J K Rowling. People had a prior opinion of her work. Lots of popularity. When her name was attached the sales went through the roof. In addition, this affects people's likelihood of replying to your poster comment.

We dug a little bit deeper because as social scientists we want to understand the data- generating process that is creating the results of these experiments.

For instance, you could argue that this is a result of selective turnout or, alternatively, opinion change. That is a really important question in the role of identity. So selective turnout is simply identity cues, when you provide them, create a situation where a different group of people from the population turns out to vote. People who like J K Rowling are in greater proportion of all people voting when you provide for names attached to the item. But opinion changes; the identity cues actually cause viewers to change their opinion about the quality of comments.

In this explanation, the same exact subpopulation of the community could be voting but they are actually changing the way they would have voted from negative to positive just because they see Frank's name attached to it. That is a very different explanation for these same exact results.

Again, on the one hand they said there are 50 people in this room and instead of the 25% who would have voted, you get these other people voting who are more favourable to Frank and therefore you get more votes. In the other explanation the same people are voting and they are changing their opinion about the comment because they know that Frank wrote it.

Here is what we find. We do find evidence for selective turnout. The negative viewers are the most likely to increase turnout when they see an identity attached. If you are somebody who votes negative a lot, when you see an identity attached you are more likely to vote. The negative people are more likely to vote when they see an identity attached.

However, there is also a lot of evidence for opinion change. So when we look at within commenter view or pairs we see both positivity and increases in turnout. For some people that means that the suppression of identity or the revelation of identity actually changes people's opinion about what they are saying. Holding the content that they are producing constant in a randomised experiment.

So one thing to note is that this does not examine any heterogeneity in the treatment of facts at the comment level. So, in addition to what I have already told you, it could be that viewers of a given commenter's comment turn out more or are more positive, given the content of a given commenter's comment.

For instance, Sinan's viewers become more positive, change their opinion, in a more positive way, when Sinan writes a long comment but not when Sinan writes a short comment. So in future work we want to examine how different people are more effective potentially for instance in different categories. Sinan in fashion is never listened to; Sinan in data science is more listened to.

What this means is that there are identity effects and who you are matters. Rating and reply behaviours are affected by identity, and identity creates increases and decreases, depending on who you are in turnout and positivity, and increases in the reply rates which completely depend on whose identity is being suppressed. There is both selective turnout and opinion change which means that the identity information actually changes your opinion about the thing that you are voting on.

So what does this mean in terms of online reputation? Well, there is herding in online reputation. Opinions are influenced by prior opinions that were expressed before you go to express your opinion. There is path dependence. These initial signals snowball and this creates a likelihood of super star effects. Why? Because there is asymmetry. Positivity snowballs; negativity not so much, because we are willing to go along with the positive opinions of others and are more sceptical of negative opinion. The rich get richer. It creates a superstar effect for those whose reputations are inflating online; and who you are affects how this process affects you.

We are applying this same science to promote HIV testing in South Africa. We are working with Nike on how these types of studies can help them understand how one person's running behaviour affects their friends' running behaviour through Fuelband and Nike Plus running. We are working with MTV on increasing voter mobilisation. W e are looking at how opinions expressed online affect readership of the New York Times, and how that should be priced. We are also working with an organisation called PeaceTXT to de-escalate violence around elections in Kenya.

In my opinion, this type of online reputation is going to operate differently than off-line reputation for a variety of reasons, and I look forward to talking about it.

Felix Salmon (Finance Blogger, Reuters): This is fascinating and this is exactly right. I think what we can draw from what we have just heard from Clive and Sinan is lessons about how the dynamics of reputations have changed enormously and quite recently, and more recently I think than you might think. I think there has been a big change just in the past couple of years.

What we just heard from Sinan was the dynamics of herding effects. These are not new. We have always had pop stars and super stars and short heads. The way that these dynamics feed upon themselves online I think bears an acceleration of that. What Sinan was saying about positivity is incredibly important.

One of the places that this happens, and it has been happening very recently, is BuzzFeed, which has generally a very positive world view. They have a policy of not hiring snarky people like me. They did hire one snarky person. This guy calling himself, Copyranter, who was saying mean things about the advertising industry. I think that he is the only person that they have ever fired. It just did not work out even though he was quite successful in terms of page views. They had just announced that they are going to have a books section, and the first thing that the books editor did was say that they were only going to run positive reviews.

This actually makes perfect sense if you are BuzzFeed. There is something wonderfully uplifting and viral. You want to share a positive review, you want to go and buy the book. You want to share that with your friends. That kind of positivity which you are also seeing in Upworthy, ViralNovo, and all of these are quite new, is exactly what Sinan was just talking about. It is the idea of what we actually want when we are talking among our friends. There are those of us who live in the snarky, bloggy world, and we love being mean about people; but that is quite rare, actually. And especially Americans tend to be very luvvy, positive people. They love sharing things and being enthusiastic about things and creating these snowball effects.

What I am going to posit here is that what we are seeing is an important change in the way that reputations are built. We are moving from the critical to the popular. We are moving from the world of connoisseurship to one of thumbs up, upvoting, and much more simple mechanisms.

We are moving from what David Foster Wallace would call the standard written English, the English of the elite, the long sentences, the cognitive complexity, the way that white people like me talk, to something much more vernacular, much more demotic, much more image-based.

So what you have is the ReadIt captions. People take a photo and then there are a few words in white on top. Or Snapchat, or Whisper, or photos getting shown a million times on Integram. These things are instant; they are instantly viral and they can spread much more quickly and with much less cognitive effort than we were used to among a much broader population that we have been used to.

I think what we are going to see is the slow decline of the Andrew Wylie mentality of "Well, if this book were published by Rivoli then it is too lowbrow for me" because the lowbrow is winning and much more than it ever has in the past.

I just wrote a piece on my blog about the art world which has in the past few years become coterminous with the art market. The role of criticism in the art world now is entirely marginal. It used to be that you had these incredibly powerful critics. Alan Greenberg could make an epoch just by writing things. That is no longer the case. All that matters now is how much money works of art are selling for. This is public information. You get auctions and everyone follows the auctions avidly and says, "Oh my God! Francis Bacon sells for $142 million."

Spending lots of money on art is the plutocratic billionaire version of giving something five stars on Yelp. It is a way of saying, "I love this and I want to upvote it and I will bid an extra $10 million for it."

That feeds back into critical reception. If you look at what museums have been exhibiting, increasingly what they exhibit these days is expensive contemporary art, the stuff that people are buying, that the market feeds back into the critical infrastructure.

Then, because it is in the museums, the critics are forced to write about it and therefore to take it seriously because it is expensive. And anything which does not fit into that sort of corporate art world winds up getting ignored. So even insofar as there is a certain amount of elite critical discourse surrounding certain things, even that does wind up getting co-opted by these enormous forces of populism and virality which are taking over the world in many different spheres from less mark reviews in fine art to book reviews and everything in between.

So I do not know what this means to those of us who position ourselves in the position of authority. I think what this means is that old-fashioned sources of authority are going to become weakened, and that being able to navigate the tides of popular opinion and the new ways of expressing opinion which are not long form English but are much more gut-based and image-based and simple is going to be absolutely critical. That is going to involve a change in the way that companies think about the people they reach and how they communicate with them. You are going to have to do this on a whole new level because I think that the intermediaries, the critics, the agents, the bloggers, are becoming less and less important. We have finally reached this democratisation of reputation where everyone matters and it turns out that what they want is something which they can upvote and be positive about.

Biz Stone: Thanks for having me, and thanks for letting me go last so that I could write down some thoughts and steal thoughts from others. I am an Internet guy. I like to think of myself as an Internet guy who believes in the triumph of humanity with a little bit of help from technology.

I used to work at Google, and I had the distinct feeling that their order list was, number one, technology, number two, people. My order list is number one people and number two technology. So I have been building these large-scale collaborative networks for almost 15 years now, working on an early prototypical social network and then moving to Google and working on Blogger, and then moving from Blogger into Twitter and watching Twitter grow.

I have learnt a lot of things. A couple of key things I learnt in my experience: one of them is that people are basically good and when you give them the right tools, they will prove that to you over and over again. So people are good and they want to do good things. We could not have cities and societies if people were not basically good.

That is the way that these large-scale, hundreds of millions of people, networks can work. Most of the people on them are good and there is only some bad actors who get stamped out by the good.

So because of that, and because of what some of these folks have been talking about today, we have entered into a world where, to borrow the phrase "democratisation" information has been democratised. Everyone has access to practically all the information they need to make decisions that are good and represent decisions that they feel make them a better person.

What I am saying is the democratisation of information has created a more powerful consumer in that now consumers can decide what brand or services they want to choose, not just based on the information about the brand or the ingredient in the brand, but the people, the executives, behind the brand. The way they live their lives, the way that they spend their free time, what philanthropy they are interested in; what is the company philosophy? What does the company itself work towards? Does the company have a cause?

In fact, I dug up some research. It is a year old but it was research that I found on my phone just as we were talking at lunch. It says that 94% of consumers are likely to switch brands to one that supports a cause. 93% would buy a product associated with a cause and 65% already have. 93% would boycott a company for irresponsibility, and 56% already have. I ended that with companies that do good, do well.

I have developed my own philosophy that the future of marketing is philanthropy or altruism, and that the companies that do not get on board with this, especially with millennials, are going to be scratching their heads in a few years wondering why this particular brand of sugar water is outselling theirs. It is because they are working with Habitat for Humanity, or something like this. The smarter educated moneyed consumers are not just looking for a product, they are looking for meaning behind the product that they are buying.

I have also been witness to a few other things. When they talked about the triumph of humanity, I have been witness to something that blew my mind in 2007 so I might as well share it with you. It is almost an evolution of humanity in a way. This goes to demonstrate that democratisation and speed of information has really changed the way that consumers can make decisions about corporate reputation.

That was at a conference in Austin, Texas, in 2007 when Twitter was nascent. We did not have very many people using the service, but the people that were using the service were the type of people that went to this conference.

So we had a very super saturated group of Twitter users at the conference. One of the people who was using Twitter sent out a Tweet that said the pub he was at was too loud and crowded and if colleagues wanted to join him at this quieter pub, they should follow him, and they can do so.

In the seven minutes that it took him to walk to that pub, it had filled to capacity and there was a line out the door, so the plan totally backfired. But what it demonstrated, and the reason the hairs on the back of my neck stood up and tingled was the fact that what he had done was something that is not normally achievable by human beings. It is something we see in nature.

What had happened was he sent out one Tweet to his followers; they thought it was a good idea and sent it out to their followers; and then their followers to their followers, creating an instant flocking of people to this one spot within minutes.

It conjured up the impression of a flock of birds moving around an object in flight, something that looks incredibly choreographed, incredibly practised, and yet it is really very rudimentary. It is individuals reacting to each other's information in real time that allows the many to suddenly become one for a moment and then go back to becoming many again.

That was what Twitter was enabling people to do. The reason I got so excited was not because this was a party and they had all decided to move to a different pub, it was because I thought what if this were to happen in a more important situation, like a disaster, or something like that? We went back two days later and formed the company.

With regard to what we are talking about today, it also means that reputations can be earned or broken in an extremely short amount of time. I want to stress the "earned" part. A lot of the talk around this sort of stuff is about how you can insulate your corporate reputation or try to stay out of the fray.

Really, the only way to get ahead is to completely embrace it and learn how to use it and work with it. I have seen that happen on a bunch of times, and I have seen it happen very successfully. I use an old example, but it is a good one. When we were first getting started with Twitter, we saw one of the first brands to get on the service was JetBlue, the airline. They were doing it wrong. They were basically sending out little 140 character text press releases. They were dry. The person who was running the Twitter account for JetBlue kept doing this and finally, I imagine, had some kind of a meltdown because they finally wrote a Tweet which said "What do you people want from me?"

That was their pivotal moment because that was the one Tweet that got the most replies out of anything they had ever done. There was an outpouring of people saying "That is exactly what we want from you. We want you to show us that you are a person."

That taught me that there is a lot of value in vulnerability. When you broadcast yourself as bullet-proof, then of course you are going to be taken down when you make even the smallest slipup. But if you frame your reputation up as somewhat vulnerable, not perfect, people gather together working towards something, working on something, I think you buy goodwill that you can spend later.

It makes me think of the actor Harrison Ford. One of the reasons that he is one of the more compelling actors, at least for me, is that whenever he is in a movie where there are people shooting at him, or something, he has always got this look on his face like, "Oh my god! I really wish these people were not shooting at me and I want to get out of here and this is scary", instead of Mr Macho, "Go ahead and shoot. You will probably miss."

I think that vulnerability that he is showing us is making him more endearing, and I think that the same thing can be said for brands, and I think that translates into this new world where information is democratised, humans are flocking like birds. Information is travelling at incredible speeds all around the world. You can stumble and you can fall really hard on all of these new mediums, but you need to be willing to fail spectacularly if you want to be willing to succeed spectacularly, anyway.

So the only real way to do it is to jump in, and the only advice I would offer on how to jump in is to explore in any of these new services that come out by listening and learning first and then participating. Then when you do participate, you participate as a human, not as a bullet proof brand. I think that is where you will have the most success.

So I just want to end with a reiteration of the point. I really believe that altruism has a compound interest. A lot of people do philanthropy wrong. They think they need to be comfortable and well-off before they throw money at a problem later in life. I think the same is true for corporations themselves. That is the wrong way of thinking because the earlier you get started, the more impact you will have over time.

So I always advise start-ups and young people to just get involved in some capacity because over the next 20 years they will make a lot more difference than they would when they think they are comfortable which, by the way, they never really will because they always will want more. That works well into my theory that the future of reputation, the future of marketing and branding, rests on what the company as a whole does that has meaning;

and those meaningful actions will attract, not just more moneyed consumers and more consumers, and more consumers who are thoughtful, but better employees, people who want to work for a company that by just going to work they are doing something good. So, do good things, everybody. Have a nice day.

Frank Partnoy: [opening few words not recorded]... in the Institute for Peace and Justice. It has a mission to do good. Every year I notice my students more and more articulating the importance of this message. But one of the themes that ran through all four of the presentations was herding. It was about human behaviour, human foibles, and the inevitability of giving in to the crowd, whether it is images and the democratisation of information or the reputation of a publisher or a five-star review.

There are two sides to this. There is the behavioural error piece of it, which we have learnt a lot about over the last couple of decades from behavioural psychology and behavioural economics. But there is also the inspirational part of it which is the good side of herding. Herding has a potentially bad side in it, and a good side.

What I would just like to ask you to just explore with me for a little bit is we got a nice rounded set of perspectives on what it means for humans as individuals. Help me understand a little bit more what happens once we start aggregating humans together. What do these insights mean for the future size and shape of the optimal institution? Whether it is an educational institution or a corporation or a publisher or the businesses you are starting right now. We have Dunbar's number as a guide that you can have 150 people who are your friends, or you know, or whatever. We have something slightly less than that in this room. You have gone through organisations which have changed a lot in terms of their size. I think all three of you probably have as well. So roll it up for me. Roll up all this aggregate insight about herding into the future of the institution, and particularly the corporate. We will hear it. Rupert's mission is corporate reputation. Can you help me struggle with how to think about the size and shape and also time focus of the institution?

One of the things about technology is we have both this inevitable quickness, but also this idea that goodness or long-term reputation is associated with thinking about the future, which is distinctively human. Maybe the thing that distinguishes us most from animals - the ability to think into the long-term future. And can we roll that up into an institution?

I am sorry that that is a very long-winded question, but I would like to have you guys riff on that issue.

Biz Stone: May I answer? The thing I have been thinking about lately is that humanity has become the most connected it has ever been in the history of mankind. Several white papers have come out recently suggesting that the proverbial 6 of separation is now down to 4 – it is actually 3.8. If you are in the same field, it is 3.2. That is because of social networks and mobile devices, which is incredible to think that we are four hops away from anyone else on the planet.

When I think about how we got here, over the last 10 years we have been clicking the "friend" button and tapping the "follow" button and things like this. We do not do these things on social media services with a long-term view in mind, like some kind of master plan for how many people you are going to follow on Instagram or whatever, and I do not fault anyone for that. We are doing it because we want to see the pictures, Tweets, and so forth, from our group of people that we are interested in.

When you step back and ask yourself is there something bigger at play? Here is humanity trying to move towards something that it does not necessarily know it is doing, yet it is doing it, nevertheless.

That makes me ask the question "What is the true promise of a connective society?" I think that the true promise of a connective society has to be people helping each other. It cannot be that there is somebody waiting to play letterpress with you right now on your iPhone. That is fun but the true promise of a connective society must be in people helping one another. That is on this global scale of interconnectivity.

So how does that work on a corporate level specifically regarding corporate reputation? It seems to me that there can be a microcosm version of something like this where within a group the group is, for better or for worse – and there are some bad actors – inclined to help one another. Everyone in the group is inclined to see that group thrive and move forward. So I cannot help but think that the more connected we are, the more helpful we can be, and if we can work together on things just how much faster and better we can get work done. Something that might have taken 100 years in the past could take 10 years or one year now with the combined effort that people are now able to do because of this connectivity.

Frank Partnoy: Felix you gave me a look of shock as I was asking that question. So what was that all about?

Felix Salmon: [words not recorded]

Biz Stone: Because of the usual politics and segregation and all that sort of stuff that happens when a company gets too big? Is that what you are talking about?

Felix Salmon: I am not going to posit the causality. There just seems to be a sort of correlation there.

Biz Stone: Right. You mean the bigger a company gets, the more difficult it gets actually to get anything done because you have to go through different channels all the time and it is frustrating.

Yes. That is what I have seen and have been seeing that. But in my hallucinogenic, optimistic aspirational view of the world the more we are able to get to know each other and understand each other's motives, the fear of the unknown goes away and we are able to work together and co-ordinate better.

I always assume one of the reasons why companies get slower and more clunky as they get bigger is simply that people do not know each other, and when you do not know something, you fear it. And so when Phil in marketing presents his plan for the future, and then, two months later, everyone gets together and Phil shares what he is going to execute on, and it is not exactly what he laid out, your first reaction is Phil must be some kind of jackass. And he might be.

But there is also the fact that you laid out some plan a few months ago and you hit a bunch of road bumps, roadblocks, you had to change this and that and the other things, so your plan is not as full-fledged or is not as fantastic as you had hoped. Really, if you had just gone over to Phil in marketing and said, "My name is Biz, is there anything I can do to help?" then you take away that fear and you take away the reasons why we all trip over each other in bigger companies.

I cannot help but think that the more we know about each other, and the more connected we are, then hopefully these things could be smoothed over faster. But I might be wrong. They could make things worse.

I know that when the telegram came out everybody said now we can communicate with each other, war will be over because there will be no more misunderstandings. That did not prove true because actually it was one of the best weapons of war.

Frank Partnoy: I do not know whether people have read Dave Eggers new novel The Circle, but one of the issues that he struggles with in that novel is this idea as an institution gets larger and the connections increase, it becomes harder and harder to know people and remain connected with them. So part of my question is giving it that challenge.

Sinan, you want to jump in?

Sinan Aral: I was just going to make a comment about this notion about the collective ability but also about institutions. For me I think that what modern technology is doing is accentuating our interdependence more than ever. Human beings have always been interdependent, more so locally than globally in the past. I think technologies like Twitter, Facebook and other things, and in other ways, just basic communication technologies, on the Internet, I agree with Biz, have created more connections than ever before and more interdependence. Perhaps a more complex interdependence.

There is maybe really strong potential upside to that interdependence, and really potentially some downside to that interdependence. I feel if we are to achieve the good and avoid the bad, then we had better hope that Biz is right about the basic nature of human beings.

Essentially, the interdependence creates a lot of fragility in the network, so the fault tolerance, of the networks human beings are structured in is very low. The reason for that is the same reason we are all connected by 4 to 6 which is that there are some hubs that connect all of us more closely.

The structure of human social networks is pretty simple and has never changed, which is basically that there are these clusters of people tightly connected, separated by these weak ties that connect them. That clustering is connected by what are known as hubs, which are these super connectors that connect many clusters together. Having both of those properties at the same time means that human social networks both at the same time have high clustering and short path lengths, which means that basically you have a lot of density of connections, and also very short path lengths between any given person.

That is the thing that defines human social networks, and always has. If you go back to the 1930s, research on this was showing the same properties of human social networks. That is at the same time the strength and also the weakness of human social networks.

If you were to attack the structure of a network, the way that humans are connected, if you take out the hubs, the whole thing falls apart. It has been shown that if you built computer networks in this way they would be much less fault tolerant than the networks where all the nodes can operate independently of one another and continue to route messages to other paths.

At the same time, it makes communication incredibly fast and efficient, this coordination ability to flock from one set of food to another, or one pub to another; or one crisis to another is also enabled by this.

In the same way this interdependence makes some sort of failure at my peer a vulnerability for me. This is part of the propagation of the financial crisis, where there were loans upon loans upon loans upon loans of interdependence, but also the same thing applies to reputation in that if I am connected to someone who does something bad, then my reputation suffers.

I do not know if people are reading the Chris Christie stuff, and who knows how much he actually had to do with that. But ostensibly, his argument is: "Someone that I hired did something and now my reputation is sullied."

In terms of institutions, I feel the two reasons why institutions existed at all, the reason we ever had hierarchies, were information, the cost of communication, and culture. It was too costly to send messages up and down the hierarchy so you had to organise hierarchically and have a set of controls so that people could send information to the right place quickly. And culture, which is essentially we are in this for a particular mission, and we are in this together, and that infuses the way people behave without having to communicate.

I feel that modern technology is reducing the need for hierarchies on both of those dimensions. We can certainly communicate laterally at low-cost now without needing hierarchies, and we can form communities online with a distinct culture that is present without needing formally to organise. That is why we see the rise of crowd sourcing and see the rise of things like crisis mapping, which is really emergent behaviour that comes from the behaviours of individuals such as Biz was talking about.

There are some great studies about how locusts swarm and how schools of fish swarm, and things like that that are similar to the way that human beings are starting to behave, I think.

Frank Partnoy: Clive, could you react a little bit based on the publishing industry's structure? In different industries, we get different size and shape. There are some people from law firms here, and law firms have started to become much larger, but there is an argument that maybe optimally, because of these connections, they should be a little bit smaller, and law schools - my Dean is here - and there is a lot of talk about what the optimal size of a law school is, and part of that is also about connections.

Clive Priddle: Zero, maybe, according to Felix.

Frank Partnoy: The publishing industry now have different social structures and umbrella parents, but within the umbrella parents there is a parent reputation but then there is the subsidiary reputation because public affairs has a unique reputation and it is relatively small.

So could you talk a little bit about the size and shape of subsidy of institutions and institutions generally in the publishing industry? Is it right or wrong? Are there any lessons there?

Clive Priddle: The one thing I think you have to say when talking about size in publishing, and I am sure this is true for other industries too, if the circumstances are the same, is the whole conversation about size has been changed by Amazon. Amazon is a vast, rich organisation that is providing a service that publishers struggle to match in many ways, at least in terms of basic delivery, and is moving into a lot of other functions as well.

It has changed the conversation about size. I think it is widely believed that Random

House and Penguin would not have merged in the way that they did but for the presence of Amazon, and that merger is now beginning to be felt in terms of the internal workings of those companies; but it is too early to say exactly where they are going to end up.

I would have thought unquestionably what they will end up doing is presenting themselves as having great overall strength and great local sensitivity within divisions. That is what publishers always do. We all say the same thing. We say we are super strong when you need us to be, and we are super tender when that matters.

That has always been the argument for small presses. A small press can always turn round and say "We care. Those large organisations don't." It is, as people said, very hard for organisations that would be on a certain scale to project caring for the individual author and their work. If you are an author and you are on a list of 800 other authors, you feel a little bit smaller than if you are on a list of 40 authors. It is just that is the way it is. Even if there are proportionate numbers of staff working on those lists, you are aware that you are in a bag with more other parts to it.

I do not think that this is going to change. I do not think that there is going to be a massive disruption to publishing.

The other thing is I always find myself thinking about this whole conversation about reputations, networks, and how we communicate with each other digitally. We are still very early in this process. We may be at the high watermark of our willingness to connect with one another online.

I have a friend in my neighbourhood at home who has been a marketeer for many, many years who elected to remove himself from Facebook recently. He did it very consciously. He wrote a very long explanatory blog post as to why he felt that Facebook was not a place that he wanted to be anymore. It was not a community that he thought was healthy. He did not like the way that he felt Facebook was taking his information and manipulating it.

It would not take very much for people to leave Facebook if Facebook changed certain of their practices. Google has a perception of an excellent privacy reputation. But that could change and then people might not use Google for all their search engines, and suddenly those vast repositories of data which underpin a lot of these networks might fragment.

I am just saying that I think it is early days and we do not yet know where this will end up.

Frank Partnoy: Felix, where does this end up?

Felix Salmon: Well, as I said in my little off the cuff thing there, I think that it ends up in a much more deeply and fundamentally democratic space. It means the slow erosion of elite influence and the rise of popular opinion.

Clive Priddle: Is this like the democracy that arrived when Mubarak was kicked out of Egypt? Is it messy, fractious, bloody democracy but at least it is democratic or is it something a bit more...

Felix Salmon: This is interesting. If anything, the elites are probably more fractious and bloody than popular opinion is. This is one of the things that people like Sinan have shown, and people like UpWorthy and BuzzFeed have shown, and Facebook, for that matter, if you look at what is really popular in terms of what is being said, is that the kind of thing that we like, the debate, the fractiousness, the fight, does not go viral.

Every so often you will find that the publicist for New York media companies sending out a really stupid Tweet before she gets on a plane to Cape Town and people will pile on and there will be negativity. But, overwhelmingly, if you move out of your own media bubble and look at how people are behaving online, I think this is exactly right about this.

What you see is sharing and positivity in kittens. What you see are happy things. The default line has been drawn recently between snark and smarm. If you move to a certain degree from snark to smarm, which may or may not be happening, but I think it probably is, snark is the language of the critic, and smarm is the language of the enthusiast, of the sharer. I do not think that you are going to see bloody fractiousness. I think quite the opposite.

Frank Partnoy: Let us take one happy question from a good person, before we break, just to democratise this.

Question: I would be very interested to hear comments from each of you about the bias towards positivity and constructiveness on social media in general. But how would you square that with the fact that the typical comment section comment on any online news site is not "I understand what you are saying, but consider this." but it is rather "You are a moron and a liar and do not deserve to live".

Felix Salmon: The easy answer to that is only a minute fraction of people on the Internet ever go to online news sites, and that only even a tinier fraction of the people who go to online news sites ever comment, and this is an entirely self-selecting crazy minority of people.

The number one mistake that publishers tend to make when they first go online – and I think most of us have learnt it at this point; we do not need to learn this one again, we learnt it a few years ago – is that you cannot ever confuse your commenters as being representative of your audience. They simply are not.

You can do this now with social media; you can look at where the stuff I have written is being shared on Facebook and Twitter, and so on. Those shares tend to be overwhelmingly positive. It is just the crazy commentaries at the bottom of the article. Actually, a lot of them are smart as well. But the really bad ones, yes they are not representative of anything.

Biz Stone: This is a surface level observation, but I have a feeling that that comes down to an issue of expectations and design. The way that that comment feature at the end of all articles is designed, and the expectations that we all have towards what we are supposed to write in there, has been around for so long that now it is generally accepted that that is where you are supposed to write stupid stuff.

There are people who are trying to work on recreating the ability to comment in a helpful and enthusiastic-----

Felix Salmon: Go on to Rap Genius and see the quality of the comments on Rap Genius. They are much more constructive, much more useful, much more positive. If you design it well, you can change that.

Clive Priddle: I think the other point I thought that was really interesting that Sinan brought up was how very difficult it is to be critical and retain your audience now. The very act of being critical somehow runs the risk of alienating the people whose attention you want to keep.

I think there is an interesting conversation about what the language of criticism is going to be going forward. Otherwise, you do end up with relentless smarm.

The other thing I would say about the comments is there was a really interesting piece which I believe was widely re-Tweeted earlier this week from Amanda Hess that started to talk about how the web is hostile to women because it allows a level and a repeated amount of really violent commentary to go unchallenged.

She was not suggesting that suddenly there were more hateful people to women in the world or that she necessarily felt more at risk because of this, I think. I think what she was saying was that previously this stuff would not just be lying around, and suddenly, just because it lies around, it looks like it is acceptance.

It is true that it is much more democratic because the gatekeepers have removed themselves. But then nobody is sweeping up, either.

Frank Partnoy: Let us do one more and then we will take a break. We will open it up from happy questions from good people to angry questions from people in the back row.

Question: This is for Biz Stone. You were talking about people connecting themselves and democratisation of the Internet. It is my observation that the connections we are creating with the Internet are very superficial. Stuff like Facebook and other social media insulates groups of people instead of bringing new information to everyone. Can you comment on that?

Biz Stone: Sure. I am not sure whether everyone heard it or not. The question was in his experience the connections we are making online and through social media are superficial connections. They are not real, human connections. That is true. They are virtual connections. But there is something at play here which is incredibly important. I agree that you are not warmly shaking hands with your Twitter followers, or people you befriend on Facebook but may never even talk to.

However, that does not lessen the significance of the connection with special regard to the unique strength of the weak tie. We were talking earlier about the hyper connected nodes of people, maybe those are all friends in a particular class and they are very, very connected, and to some capacity they all know the same sort of stuff; but one of them has a weak tie to someone across the world who they visited once, and then all of a sudden that whole group of people has an attachment to an entirely new group of people.

This is the thing that excites me the most about the greatest connected society in the history of mankind: this idea that now any concept or idea or question can make it to any other person on the planet in as few as three or four connected nodes. When I say "connection" I mean it in a technical way rather than a humanistic way.

The only other argument I might make is that there are of course technologies that connect people such as Meetup or in many cases Twitter, where people do Tweetups and in many cases we have seen on Twitter spontaneous suggestions that everyone meet at a certain venue that night for $20 and all the money is donated to some charity. So there are some wonderful human connections going on.

I would agree that for the most part these connections are virtual and technical, but the web that it is creating means that it is an infrastructure through which fantastic ideas and knowledge and cooperation can be transmitted. That is what is the most exciting to me.

Felix Salmon: It has also never been easier to meet people precisely because of the technology. I think this is crucial.

Biz's story earlier about one Tweeter creating an entire storm of people descending on a pub is indicative of a broader trend: the huge rise in direct correlation with the rise in social media has been the massive rise in the conference business globally. There are thousands of conferences globally going on every day now in a way that there never used to be before. The reason that you see this so much is because this need for human interaction has been leveraged and multiplied by the ability to see all of the awesome and amazing people and ideas out there, and people come and join.

In real life they will travel thousands of miles to be able to hang out with people that they have never met before, and then make medium strength ties.

Biz Stone: That is true. There is like an intellectual connection that you form and then you want to meet that person, wanting to be a pen pal.

Felix Salmon: It happens all the time. My social network has created a series of ties from the weak to the very strong which would never have been possible before these networks were created. It has only been good for creating new and strengthening human ties.

Biz Stone: It has changed my life that is for sure. I was connected to Evan Williams because we linked to each other's blogs in the early days, and that is how I found out who he was.

Then he hired me at Google. Then we quit Google and started Twitter. So that virtual connection led to a life-changing real connection for sure. And now our kids play together.

Sinan Aral: I think that this all goes back to human agency. Technology really does nothing. It is what people do with the technology that determines what the outcome is. I do not think that any of the technologies we have seen in the last 30 years are either good or bad. They just are. And how we use them is what determines what the outcome is.

You had two points in your question. One was: is it really human connections? The other one was: does it really enable more diverse meeting of people? There is a big debate about that, whether the Internet Balkanises or democratises. Not only does that make it easier to connect to anyone, but it makes it easier to connect to the people who have the exact same views as you do, and to only talk to those people.

If you live in a particular locality, the randomness of geography means that you are likely to meet people of different kinds who live in your neighbourhood, Republican, Democrat, different ages, and there is a lot of homophily in neighbourhoods, too, ethnicity and socio-economic status are homophilous in neighbourhoods.

On the Internet you can either choose to talk to people who have different views than you or have a diversity of people that you talk to, or you can choose just to talk to those people that believe everything you believe and see the world the way you see the world. So those are the choices that we make with technology.

I like Biz's ranking of people one, and technology two. I feel how we use this technology is going to be the key determinant of whether the rosy picture or the gloomy picture rules the day in the end.

Biz Stone: My friend, Steven Johnson, is a popular non-fiction author, and he wrote a book called Where Good Ideas Come From. I do not know whether this is from the book or not. But he was telling me ideas become thinkable at certain points in time because they build on ideas before them, et cetera.

Lots of people at the same time were trying to figure out how to take photographs in the dark, flash photography, et cetera. It just so happened that the first person to take a really successful flash photography picture in the dark was a person who was really, really interested in highlighting the horrid conditions of New Yorkers who were living in slums and under terrible conditions. That was the first world-famous application of flash photography. It was a picture that was seen by very many, many people and kicked off the whole idea of social services, and the idea that we all need to help out others in need. It could have been a picture of a naked lady, but it was not.

That comes down to the person and how they use the technology that transformed it and made it into what it was.

Frank Partnoy: With apologies to the millions of people who will be watching this on the web, we are only offering the opportunity for a profound interpersonal human connection to the people who are here right now for a few minutes.

Biz Stone: I forgot that there was a webcast going on.

Frank Partnoy: Hopefully, we had you sign your consent to this. But I think all of your words, as all of the words of the panel-------

Biz Stone: I told my mum I was going to work--------

Frank Partnoy: Everything that you have said – all four of you – was fantastic and brilliant and insightful. I want to thank you all for taking the time to do it. Thank you.

Appendix B How Reputations Are Won and Lost in Modern Information Markets

Panel 2: Plurality of Stakeholders and Audiences

Rupert Younger (Founding Director, Oxford University Centre for Corporate Reputation): Welcome back. It is my great pleasure to add my words to Frank's welcome. I am Rupert Younger, Director of Oxford University's Centre for Corporate Reputation. We are primarily a research institution but we also do some teaching. Our core mission is to research how organisations and institutions create, sustain, destroy and then rebuild their reputations.

As you can probably guess, we have spent quite a lot of time on the third area over the last couple of years, the destruction of reputations, and we are now increasingly interested in the subject of rebuilding shattered reputations.

It is my pleasure to be here to moderate this second panel, which is looking at the subject of the multiple different stakeholders that exist around organisations. This is not a new phenomenon. Organisations have always had multiple stakeholders to deal with: employees, regulators, governments, investors, and so on. But the question that we are interested in on this panel is what impact the advent and the increase in the use of technology and the improvement in technology over the last 50 years, what impact that has had on reputation formation. We are interested in following that up a bit and looking at what different groups of stakeholders are now able to do when it comes to reputation formation. Has that changed with the advent of better broadband speeds, more technology, more interaction? So this is a panel that is going to start looking at some of those questions of the different stakeholders' views, how organisations cope with that, and what the implications then are for the reputations of organisations.

There were just a couple of observations which I thought would be helpful mention as a frame to the discussion. One is that it does seem to me that broadband has meant that these stakeholders have now a much greater ability to create noise around organisations.

When I first started in business 25 or so years ago, organisations were able to segment the way they dealt with different stakeholders very effectively. You could talk to your employees in one way without much fear of that then spilling over into some of the investor audiences, for example. That I think is now a bygone era.

The second thing that strikes me is that, the ease and reduced cost of interaction, is how organisations interact with each other. Organisations team up by working together as different stakeholder groups around single issues and single themes.

So just a couple of observations I suppose to kick-off the discussion. Really, the limelight today is on our extremely distinguished second panel. I should like to thank all of you very much for spending the time and being with us here. We are going to kick off, with Tony Hadley from Experian, and we will ask you to introduce yourselves as you speak.

Tony Hadley (Senior VP of Government Affairs and Public Policy, Experian): Good afternoon, all, and thank you, Rupert, both for the introduction and for inviting me here. Who knew that a few months ago when Rupert and I met over a cocktail at the top of the Shard in London, just by chance really, that it would mean that I would be here at a symposium with such esteemed groups like Oxford and USD. I am very pleased to be here – in fact, honoured.

I am Tony Hadley, senior vice-president of government affairs and public policy with the Experian group of companies.

Here is what you need to know about me: I am from Washington DC and I am here to help! [Laughter]

That never fails!

I am here to help you understand what a stakeholder is in our view from a corporate point of view, and how that relates to corporate reputation. In all honesty, stakeholders have a big say in corporate reputation, and so understanding who they are, how they act, and making them part of a management programme, is essential to modern corporations.

Stakeholder engagement is a discipline within Experian that is at the intersection of several corporate functions, those being regulatory affairs, legal, compliance, communication, investor relations and corporate responsibility. I have to say at Experian we probably manage our stakeholder management programme as a risk management function rather than seeing it as an opportunity to enhance our reputation.

Today's first panel talked about those opportunities to use stakeholders and technology for that purpose. That is something we have to explore. I am going to encourage our corporation to begin looking at it a little bit more like opportunity in balance with risk management; but right now I think most corporations look at it from a risk management point of view.

As the title of this panel makes clear, there has indeed been a near-explosion in the number of stakeholder audiences for corporations of all kinds. I should like to spend a few minutes just describing the key elements and dimensions of Experian's stakeholder programme as I believe it meets best practices and probably is somewhat state of the art in the way the that corporations are managing stakeholders.

Experian deals with stakeholders at many levels of the organisation and at many levels of domestic and global marketplaces. Stakeholders can be organised around any number of business or policy issues, and they often reflect specific cultural values, and they can frequently change shape and form as issues develop.

First, let me provide a little bit of background about Experian, if you do not know us. Experian is a global information services company best known as a credit bureau or a credit reference agency, in fact. A recent survey by the Consumer Federation of America found that 76% of Americans recognise the Experian brand as an assembler of consumer information, and indeed Experian LLC, which is based in the UK, with US headquarters in Costa Mesa right up the road here, operates 23 credit bureaux around the globe on every continent. But beyond credit, Experian also assembles consumer data for other important commercial purposes, including the detection and prevention of financial fraud, including identity theft; delivery of relevant messages, including advertising messages, both online and offline, and organisations in the private sector, government, non-private sector, all use Experian data to better-understand consumer behaviour and to target relevant messages and advertising to their customers and to prospective customers.

We have 39,000 business clients who use Experian data. So Experian data is an infrastructure of consumer information used by almost every sector of the economy, including banking, insurance, retail, media, travel and leisure, automotive, government, education, telecommunications, and the list goes on.

So this business model puts Experian squarely into the growing sector of stakeholders associated with consumer privacy, data protection, fair lending, financial literacy, digital marketing, e-commerce, because it is our business model to collect information on consumers, including everyone here, and 98% of American households, and redistribute that data in the government, commercial and non-profit sectors.

So with that in mind, I thought I would give you a thumbnail sketch of how we have organised our stakeholder programme within Experian, and the key dimensions of it.

Our first principle is that you have to define different levels of stakeholders and their dimensions, and we do that within two large universes.

First, stakeholders around our business operations; and then stakeholders around particular issues. The first universe, business stakeholders, might include our company executives, our business partners, our customers or clients, whether direct to consumer, like a customer, or a business client, investors, policy officials, legislators, regulators at the state and federal levels, even at geo-global levels like the EU or APAC or OECD, the media, and that is general media, trade media and so many other types of proliferating media going on; employees, of course, trade associations, business alliances and professional groups. Those would be the stakeholders around the business stakeholders that Experian looks at. There are dozens of them.

And then there are the issues stakeholders. I would say that one might say that NGOs are a stakeholder. That is far too broad a term or a category to describe how you have to count and dimension stakeholders within a business environment. So is consumer advocates. There are just too many different kinds. There are privacy advocates; there are consumer protection advocates; there are consumer watchdogs or financial literacy advocates, community development activists, credit building activists, fair lending activists. So you have to understand how each of these large terms for stakeholders really has to be brought down and sorted out, and then the second principle really is to map them.

So you want to map them on an X/Y axis, where the Y axis is the dimension of impact on your company and the X axis is the dimension of accessibility. If you map the key stakeholders in these various groups, then you will find out where the most important ones are. They would be in the upper right-hand corner of course, and you can help to differentiate the key players from those that you have to actively engage with and influence versus those that you just have to monitor and keep informed. It will help you then target your corporate resources which are always never enough, to the most important stakeholders that would affect your corporate reputation.

The third one is really to understand that stakeholders vary by culture. In the US, for example, nothing less than full face to face dialogue will substitute with some stakeholders. You have to be engaged with them. So in order to do that, we have developed, for example – and many corporations have – a consumer advisory council with different multiple stakeholders and different groups of consumer and advocacy groups that we meet with quarterly at the highest level of our Corporation. Our CEO meets with them.

We listen to them. We tell them about our company. We try to have a mutual dialogue about issues that they might be concerned about so that when they leave, if they are going to criticise Experian – and they do – they are going to do it in a well-informed way. It means that you have to be authentic and transparent about your practices to the stakeholders that you are going to engage them. You have to be transparent because they can tell if you are not, and they are going to assume that you are not transparent even when you are. You have to walk the talk when you are dealing with stakeholders of any type of magnitude, whether they are consumer advocates, the media, or whomever. It takes a substantial amount of time resources in order to engage here. I am telling you that Experian spends millions of dollars a year on engaging with stakeholders.

The other thing about it is that some types of stakeholders, for example, consumer advocacy stakeholders are very well-organised and exchange information, as Rupert said, in Western cultures but not so much in Asian cultures. They are very culturally- based. Now, they are growing in Eastern cultures as we have the Internet available and as more information is spread do out, and as we do more business of course in the Asian countries. But they have different and distinct different points of view, even about the issue of consumer privacy.

For example, I will never forget the time I was in an audience with the Asia-Pacific Economic Cooperation group. A gentleman from Hong Kong introduced and opened up the forum about consumer privacy there. He said to the crowd, "Privacy is a Western idea. You have a very articulated notion of what individual privacy means. But in Asia not so much." As a matter of fact, Japan, China, Korea, do not have a word for "privacy". Privacy is a Western term they have adopted. We know what data security is and how data needs to be protected from unauthorised purposes, but privacy to Asian cultures really means perhaps a silk curtain across two rooms, or "I want to keep something secret from my wife".

So you can see that different cultures have different stakeholders with different interests, and you have got to be able to map these stakeholder interests along with the work that you are doing in each global region if you are global company. I think that is very important.

Finally, the third principle is how you communicate stakeholder involvement, stakeholder interest, stakeholder activism, stakeholder reputational issues, to your executive management. This is the hard part. How to get executives who are very concerned about their job - that is, making profit for the company, keeping people employed, selling products and services, keeping that whole juggernaut of a company going forward - to engage in why they should care about what stakeholders think. They can get it from the point of view of reputation management. But what is hard for them is how you communicate it to them so that it will be relevant and you ask them for their help only when you need it or when it is important for them to engage in it.

Of course, this is communications across all corporations. How do you motivate executives to pay attention to a particular issue and not overdo it and not exhaust them but know that it is a relevant issue when you bring it to them?

That is how we have organised our stakeholder programme with Experian. I do not think that it is any different from most major corporations. As a matter of fact, stakeholder involvement is becoming a very well-defined management discipline. I only have to point to the brand-new publication by the Public Affairs Council called "Managing Stakeholder Engagement in a Global Scale". You can see that the Public Affairs Council, made up of corporations, is trying to focus corporate attention on the best practices of stakeholder engagement. You might want to look at it. It is on the Internet, if you just Google "Public Affairs Council Stakeholder". It is an interesting read. Thank you.

Jesse Eisinger (Senior Reporter, Propublica): I am a reporter at Propublica, which is a non-profit investigative news organisation. I am also a columnist at the Dealbook section of the New York Times. As a reporter – and, obviously, Felix is a member of the media, but he does not call himself a reporter – I think I am the only reporter today; in other words, I am the professional destroyer of reputation – or, at least, I try. I am a stakeholder, yes.

What I want to do is to confine my comments to talking about the media's role in reputation. Maybe in the conversation we can respond a little bit to what the panel said earlier and discuss it. I think the broader picture here is that corporate power is at an absolute zenith in the country.

I want to start with some comments that a financial services PR person, who was interviewed in the Guardian, said a couple of months ago. She said a couple of very interesting things. "Some financial journalists can be a bit naive about how much they know. We are very careful to ensure our people are media trained so they only give journalists what they want to give, and the guys with really good intel will not speak to journalists at all in the first place. They will not even speak to me. They are ones who know where the skeletons are."

So, in other words, you know the old Nixon line about how to treat journalists: treat them like mushrooms, keep them in the dark and feed them a lot of shit, is true of corporations; but it is also true of the PR people at the corporations, and this is by design.

"Employees", she said, "never talk off-message to the press." She said "At least in my bank enough people have been disciplined by now for unauthorised speaking to the press that it hardly happens anymore." I think that is absolutely true. The third thing she said was "After the interview, we clean the quotes, remove anything that when, taken out of context, could damage the bank or make the banker sound stupid if there is something that could be misinterpreted" - as if what the banker was saying was only could it be possible to be a banker who said something stupid if he or she were misinterpreted. "It is removed", she said.

What this means for the media is that we have almost no power to affect corporate reputation. Let us think about as we have had the rise of these social networks, as we have had the rise of the technology boom in the last 20 years since the mid-1990s, we have now had two extraordinary financial bubbles. If we had the worst financial crisis since the Great Depression. We have income inequality at a high. We have one in five children in the United States growing up in poverty. We have corporate profit margins at a record. CEOs have recovered all of the losses in corporate pay, CEO pay that they lost in the recession. We have record stock prices. We have labour in total crisis. All the power is in capital.

Labour has almost no power. Private unionisation is down in the single digits.

I want to talk specifically about what is going on in the media now. What is happening in the media is that the media is in crisis, and everybody has heard about this. A whole swathe of newspapers, mid-level newspapers, that were great a generation ago, covering local communities and also local businesses, have disappeared. The San Jose Mercury News, the Miami Herald, the Baltimore Sun, the Philadelphia Inquirer. Those have been completely wiped out.

In its place what has risen are blogs, largely replaced by Bloomberg and Reuters. Bloomberg and Reuters have in business journalism excellent business journalists. But the vast majority of what they produce is business news that is directed by businesses. The structure of business news, financial news, is that corporations determine it almost entirely. They decide when to develop their products and services; they decide when to launch products and services. That automatically becomes news.

Think about Apple. A mere product announcement is one of the greatest news stories that a technology reporter can be blessed with, purportedly. They decide when to tell the public about it. They decide when to report their earnings. They decide to whom to give the news. Then when they are forced to make disclosures, legal disclosures, those disclosures that Frank and I wrote about in the Atlantic for financial companies, are written by lawyers to fool other lawyers. They are utterly impenetrable. They are designed to be misunderstood and mislead to the extent that they are designed to be understood at all.

The media meanwhile has an enormous bias towards optimism just like our Yelp commenters. The media in the United States is a very optimistic bunch. This shocks corporate executives who think that the media is negative, relentless, critical. In fact, it is completely untrue. It is almost entirely opposite.

The way that the media is structured is that we are looking generally for stories that are positive. People do not generally like confrontation; confrontational stories are much more difficult to produce. They take longer. The editors do not want them. Most reporters in business are beat reporters. Beat reporters need access to the companies that they cover in order to produce scoops; in order to produce the kind of news that they get rewarded for.

So what happens is 95%-98% of the reporting is either done based on company leaks or company access that is relentlessly under the control of the corporation. Employees, as the PR woman, as seen in the Guardian, discussed, are extraordinarily disciplined about who they talk to. They never go off-message. They will not talk to journalists anymore. This is a big change from 20 years ago. They also hate the media. The media is hateable. We are the sons of bitches, which does us no good. People do not really want to talk to us. But they are also deeply afraid for their jobs. They are extremely worried. They do not want to jeopardise anything.

Then underlying this entire problem with the media covering corporations and business is that we essentially buy into the assumption that growth is a good thing, that companies are successful when they have rising earnings; that companies are successful when their profits are going up, when their products are successful. So we think of that as a good thing and we translate this through stock prices and through markets. So it all seems to feed into this idea that we cover this as if it is a positive thing rather than examining these underlying notions about whether growth is even a good thing or not.

What happens is the critical coverage that exists is largely financially based. So there is some criticism of the accounting or examination of accounting. Financial coverage has become more sophisticated, having gone through two bubbles. You hit idiot reporters over the head a couple of times and they are finally going to learn something about valuations and bubbles.

But what is not getting covered is the vast swathes of corporations outside of finance, outside of technology; other industries, and what they are actually doing to their employees, to the environment; whether they are violating any laws; whether they are treating their employees, as I said, poorly.

So, what has happened is we have got this media crisis. The media is relentlessly worried about how to make money in the business that they are in. We have this proliferation of voices.

What is dying is any ability to do any serious reporting that takes time and expertise on companies outside of a very small group of companies that get examined.

Then the question is, and I will wind up with this, whether the reputational damage is sustained from the companies that the media is actually examining. If you think about Goldman Sachs or JP Morgan, which most people in the room would think have had bad coverage, and have sustained some kind of reputational damage from their actions, which were covered in the media, it is not a media creation, you can see that they have received no meaningful reputational damage. They continue to operate in the businesses that they operate in; they are larger than they were in the financial crisis. They are more profitable. Lloyd Blankfein, who oversaw the largest fine to-date from the SEC, their main regulator, continues to be in his job, making tens of millions of dollars a year. I think that is Jamie Dimon's future as long as he wants it.

All the CEOs who blew up their entities now get invited to ideas festivals and are welcomed at the Metropolitan Museum of Art galas. There is no reputational damage that they sustained.

They did not go to prison. They did not lose any money. They did not suffer any societal damage. The media meanwhile has been very critical.

To the extent that the media has any role at all, it is to not be able to produce any coverage that anybody actually takes to heart.

Ray Nasr (Former Director of Communications. Google): Okay. This will be fun. Thank you, Rupert Younger, for the invitation today. It is a delight to be here. And thank you also, Frank, for your very kind hospitality. What a beautiful campus. What a spectacular law school. This is a real treat to be here.

My name is Raymond Nasr, I am from Silicon Valley and I am here to help!

I just want to do a couple of things. First, just to give a little bit of my background, where

I have come from, how my perspective has been shaped, or warped, depending on your point of view. I am from a disk [name], where I live now. I went to UCL undergraduate. It is just up the 405 freeway from here. Then I attended Pembroke College, Cambridge, and I studied law. So I am doubly comfortable in the law school here. I worked for public television as my first job, deciding not to be a lawyer, and worked at PBS for a couple of years as a writer. Then I went to Apple Computers to be a speech writer for the CEO, John Scully, at the time. I joined Apple after Steve Jobs had left, and I left before Steve Jobs returned. So I was at Apple between jobs!

From there I went to Sun Microsystems where I met Eric Schmidt, and he and I went to Novel, where he was CEO for four years and I was director of communications. In 2001 we went to a scrappy little start up called Google. There were 120 people in the company. I was there from 2001 to 2006. In 2006 I started doing some consulting for friends' companies and started advising Twitter in 2008. I met Biz at Google in 2003 when Google acquired a company called PIRA, and their product was called Blogger. They were my worst nightmare from a corporate reputation standpoint because if you have bloggers in the house they are going to say whatever they want. As a director of communications that is a petrifying thought, especially on the eve of a public offering.

I told the communications team, "Alright, guys, we are in trouble. We have to contain these folks." It was not long before I had a conversation with Biz, Evan and with Jason - Both Jason's, [Name] and Goldman - that I realised they have a vision for the world of information and we should embrace this thing. This could be great for Google's point of view in advancing our story, and it turned into a wonderful friendship, and it is great to see you here Biz.

From all of that Twitter craziness, I have been helping a bunch of start-ups. One of them is called Medium, and that is a company that Evan Williams has started, and I am also the one and only adviser to Snapchat. Evan Speigel was a student of mine at the graduate school of business where I teach during winter term.

Anyway, that is a lot of stuff about my background. I am also a certified sommelier. So that is kind of like pretty cool. That is what I am most proud of.

Three ideas that I should like to comment on that I believe influence reputation creation and preservation. The premise of the entire programme that Rupert Younger leads at the Oxford Centre for Corporate Reputation is predicated on the idea that companies do not actually own their reputation. They own their products; they own their corporate performance; they own their partnerships; and, of course, in aggregate these can influence reputation. But ultimately it is their customers, their users, the press, the stakeholders, the public intermediaries, all of those folks ultimately define the reputation of the institution in the public eye, and it is in that spirit that I should like to address three related areas. This is a Silicon Valley perspective; it is not the Wall Street point of view. This is how we view things in Silicon Valley.

Here is the Silicon Valley view of public relations. It is really simple. This is everything you need to know about PR one simple visual.

[The speaker then moved away from the microphone]:

I will speak loudly so that our viewers at home can hear me. If you think of a clock, 12,

3, 6, 9. With respect to Jesse, there are only four stories the press like to cover. This is really how I have experienced it in 26 years in communications. The first story they love to cover is what I call top of the hill stories. This is stories about Apple Computers, about Amazon, about Twitter – that is the top of the hill story today – Netflicks toggles between one and two. Very interesting stories. Companies with amazing love from the public, great products, great performance, great partners, Untouchable, invincible, the press love those stories.

Story number two is what I call perched for a fall. Equally cherished in the portfolio press is the perched for a fall story. These are companies that are on the verge of total disaster. I think – again Silicon Valley for a second – if I look at Intel right now, post-PC world, all of that eco system that is dependent on the PC based platform. Wow! Perched for a fall! Yet they are still delivering pretty good earnings which keeps them near the top of the hill. But, boy! you know their director of PR is keeping track of anything that might be what we call a 3.30 story. The products are not shipping. Its partners are bailing. If the performance gets tweaked, kerboom! Perched for a fall.

That for a great reporter is a career-maker if you are the first to cover the 3.30 story on taking one of these companies down.

Story number three is in the dumpster. You do not want to be here very long. This is what Novell was like. Being in the dumpster is no fun at all. You want be in here for the shortest amount of time possible. Groupon, AOL, is down here. By the way, this applies not just to organisations. Alex Rodriguez that baseball player, Governor Christie - phew! - that is not a nice place to be.

Story number four. This is the most interesting from a PR standpoint. This is the turnaround. This is what Marissa is trying to do at Yahoo. This is what Meg Whitman is trying to do at Hewlett Packard.

What is fascinating about the turnaround story is the only real time, with the exception of a big CES conference, the financial analyst community is going to pay attention to you is on your quarterly conference call. They are going to listen to your sound bites. They are going to listen for your messaging and they are going to listen for the CEO to shout out how and when the company is going to be a top of the hill story again.

This is a simplification of PR but, boy!, it has held true in a lot of the experiences I have had in the Valley.

Three sub-observations about this diagram. Point number one: it is impossible to turn back time. If you are going to get hit, you have got to take the hit and you have to motor through. I remember when Steve Jobs mis-priced the iPhone in 2008. Disaster! But he took the hit. He motored through – top of the hill – it was a story that lasted three days instead of three months. He nipped it in the bud. Tim Cook is doing a great job. When they hit some rough sledding they nip it in the bud.

The second thing is that it is a global phenomenon. You might be top of the hill story in Sydney, Australia, but you could be in the dumpster in France, Germany or whatever. Keep that in mind.

Point number three. This is the most important point and relevant to what we are talking about here. I hope we can discuss this. Time compression. The metaphor is instructive. Time compression in the advent of social media with Twitter and Facebook, etc., has crippled the ability for most organisations to stay ahead of a story. It is incredible how quickly a press cycle happens now. It is no longer a matter of 24 hour news. A story breaks in nine seconds on Twitter. Suddenly you get these flocks of coverage happening immediately. I think that is a hugely important observation about this model and why it has longevity. We have been talking about this in Silicon Valley for years.

Related, point number two - and this is a gentle challenge to my co-panellist, Jesse, again - I believe that there is still no substitute for carefully researched, seriously composed, high quality journalism, and people will be willing to pay for it. The good stuff will rise above the noise and get noticed. I use the metaphor in my comments to students at Stanford and elsewhere, of the high-protein diet.

There is a big difference between the eagle and the field mouse. The eagle, from a PR standpoint, is an opinion piece in the New York Times. The field mouse is a kind of Palo Alto weekly. There is a big gap in terms of the protein that these two sources, and these two communications media, have. I think that is really, really critical to keep in mind. I believe the food chain is the perfect metaphor.

You know in biology it is all about demonstrating how energy is transferred from one living thing to another. If you have the eagle setting the tone, then all of the other guys are going to follow that call. Sometimes you do not really need to do anything if you have an incredible product or an incredible story. You get covered in the opinion sections of the newspapers.

We experienced that at Twitter a couple of times. So, in information markets there are certain food sources that are higher in carbohydrates and higher in protein than others. When I advise start-up PR directors, I tell them, "Try to pitch your story and your vision to the highest place on the food chain, and then let it trickle down. Do not settle for anything less, and do not burn your ammo on the Cupertino Courier. Really focus your attention."

The final idea is embrace the surprises. This relates to panel number one. I think that the idea here is instead of fearing new technology in news services, it sometimes makes more sense to embrace them.

The example I use is the US Airways flight that landed in the Hudson. That was captured on an iPhone by a guy who put it on his Twitter feed. He was the source of the news and scooped CNN by 21 minutes, nine minutes, something like that. It was a significant lead that he had. And now the definition of a source is different because of the technology.

But instead of being freaked out by Twitter, US Airways started posting announcements via Twitter and giving people updates on what the status was about the plane. Remarkable!

I think the same thing is happening with a new category called ephemeral media, Snapchat is a great example of this. Snapchat are a photo-sharing app which allows users to send a photo and it disappears from the user's phone and the sender's phone. Symbolically, what is important and relative to reputation is this notion that Evan Spiegel has of deletion as a default. Delete everything and then think about what you want to keep has flipped the information market on its head because today we keep everything. Google saves everything on my G-mail account unless I delete. The exact opposite is happening with Snapchat and to a certain degree with Jelly, which is a project which Biz has just launched.

Content is becoming more and more ephemeral. What we keep is going to be a secondary thought, not the first thought.

I hope the three ideas, time compression and press cycles; the power of the food chain; and embracing surprises will colour our discussion.

Steven Davidoff (Professor, Michael E. Moritz College of Law at Ohio State University): I write for the New York Times, as a deal professor. I have done it for about six years. I am a professor at Ohio State University, although I will be going to Berkeley for a professorship in the Fall.

I say that because it is sort of an intro to something that I want to talk about. I think Rupert is probably wondering what I am going to talk about because when we were at a table earlier today I said I really did not understand the panel or the title or what stakeholders were, and I think he looked at me like I was an idiot. So I think he is hoping that I will say something intelligent. I am not sure about that. But I thought about it and I have listened to the panellists, and I think I do understand what this panel is about but I want to change what it is about.

I am going to do that by spending a few minutes talking a little bit about how I came to be here. I am not going to start with my childhood.

It really started six and a half years ago. There were winners and losers in the financial crisis. I was frankly just a winner. I was teaching at what can only be described as a wonderful place but a fourth tier law school in Michigan. I would e-mail professors. What you do when you are a law professor is you try to get people to pay attention to your law review articles and think about you. I was just a nobody. I did not know people.

I wouldn't hear back.

I decided to start blogging about something I knew. I had been a mergers and acquisitions attorney for about 10 years. So I was pretty good at reading agreements. I had done a lot of practice; I had a lot of experience. I started writing about deals and writing in the Spring of 2007. You may remember that basically in the summer of 2007 deals exploded left and right, and people were wondering what to do. I just started writing about the deals, writing about the agreements, who was going to win and who was going to lose and what deals were going to work.

Before I knew it, I saw a whole new world. I learnt that there are arms out there who would contact you no matter what.

I learnt that a woman by the name of Joelle Frank, who runs a PR firm, will call you and other PR people will call you. I learnt that lawyers will call you to talk about their deals.

Essentially by about Thanksgiving what happened was there was a deal United Rental Serberis. It blew up. You know how these things are, it is holidays and you are stuck in your in-laws' place and you are trying to hide. I read the merger agreement and, sure enough, Simpson Thatcher a very big, prominent law firm, had negotiated a merger agreement where it could be terminated two different ways which were completely conflicting; being paid millions of dollars, the agreement made no sense.

I wrote that and the next day the Internet exploded - for me at least. I was being quoted in the Wall Street Journal; I was being quoted in The Times. I am small stakes but that was big for me. Shortly thereafter, I knew I had arrived because of two things. One is the day that the judgement was issued, the head of Simpson Thatcher called me on the phone - I did not know what was going on; I was just trying to reach out to the Frank Partnoy's of the world - and asked me to be nice to them when I wrote because everyone was reading it.

And the second thing is a guy by the name of Andrew Ross Sorkin called me and left this frantic voice message. He is hard to get to. Eventually, I got him and he asked me to start writing for The Times. I have been writing for them now or for about six years. I have a print column every Wednesday that is in the Bs. It has been great. I have seen a whole new world and it has really been a privileged position in the sense that I am a tenured law professor. I do not care what The Times does to me. I do not need the job.

It is a second job. I can write whatever I want.

I think this is where I come to the stakeholders' point, and I will get to reputation right after that. The reason why I do not understand this panel is because the stakeholders for me are the readers. I do not think that hedge funds or corporations or otherwise - I do not write for them, I write because I like it and I write for the readers. The stakeholders of any news organisation are the people who read it. You can talk about news being a social good and we have a duty to do that. That is all well and good, but that does not change anything. Sure, it is like the Whitney Houston line, children are the future. Right, technology changes everything. I know that. There are complex times. There are more actors, there are more things to look at.

There are advantages because I can sit in Columbus, Ohio in a Starbucks and write my column, and write books, and do it all. But at the end of the day the stakeholders that are in the news are the people who read it.

There is something to be said about more stakeholders – I would even call them stakeholders – other interests, corporations or otherwise. I envy Felix for many reasons, among which he gets to talk about Argentina all the time, I envy him because any time I write a column - I do not like to think of myself as a journalist - I send it in and, sure enough, my editor comes back and say, "Have you called the so-and-so?" I know I have to call them. I know I have to call you, and I know what you are going to say. How many times do I have to call you and hear the same thing? I really hate it but we have to do it and sometimes it changes my mind and sometimes it is good. That is the only thing that has to do with corporations and interests.

But when I write my articles, I write them because it is interesting to me and because I think those are the stakeholders.

I want to turn that and turn to reputation in the last two minutes that I am going to talk and talk a little bit about something that Jesse said. Jesse has done some incredible work and I think he is an incredible reporter. We do not quite have the same views, and that is fine. He is probably right. I do agree with him on a couple of things and I disagree with him on a couple of things and that is going to lead to my reputation point which is, one, I do agree that beat reporters are compromised. I do believe that the idea that you need good sources to be a beat reporter has changed the dynamics of the press.

I do not think it has ever been opposite. Think of the St Louis Press, Anheuser Bush, covering up for the Bush's all those years. But it is true.

The other thing is that, combined with the fact that we used to buy the New York Times, we used to buy an album, I would buy Van Halen's 1984. That does not happen anymore. You buy single news articles because you go online. And that has changed the way that the media pushes out things and it has changed reputation. I think it has changed it a couple of ways.

One is you are looking for the views; you are looking for the hits if you are a beat reporter, and because of that you have been following stories. Stories tend to run in trends.

We have just discussed that. Twitter is hot. Marissa at Yahoo is going to turn the company around. Beat reporters tend to follow those trends because it is commoditized news. You are underpaid, your newspaper is declining and you are trying to put out a quick product. People are not reading it for you, they are reading it because it is something that caught their eye on Yahoo or otherwise. That is number one. That is the commoditized news.

I think there are some real problems there. CNBC, for example. I honestly think it is a shame how pro-financial they are, and how pro-the-stock-market-must-go-up-every-day. I have my students watch Jim Cramer and [name not heard] for securities fraud, and I just think it is a shame. So there is where I probably disagree with Jesse.

But I do think also that the technology has changed things, and because of this the critical analysis that I do has been opened up.

I am just a guy who back then sat in a coffee shop in Detroit writing a blog, and I ended up writing for the Times. We are increasingly opening up for critical news to come to the top. That does not mean we are in we are in Nirvana. There are still problems with investigative journalists and journalism in funding it. But I do think that technology has opened up that avenue.

For the stakeholders that I think we are talking about, the people who consume news, that is what they want. They want the criticism; they want the critique; they want the analysis. Any time I write anything I am sure to say – and that is why Felix is so successful – you want to give a view because people want views just like they want to own something that means something to them.

What that means in terms of reputation is reputation is just harder to control. There is a whole movement out there; people are trying to make their living giving views and criticism. You never know where it is going to come from. You never know when one mis-step is going to be caught and get caught in the news cycle that our last speaker gave.

With that, I thank you, and I thank you for having me at this beautiful campus today. Rupert Younger: Thank you to all our panellists. One of the things that I thought was a particular theme that emerged across a number of the different talks today was this idea of the professionalisation of engagement.

Obviously, Tony's X and Y axes and the different stakeholder analysis, a very professional approach within companies. Ray's clock and the way in which you are thinking about engagement and the advice you give. Jesse's nexus, corporate power, this dominance of corporations. It strikes me that this is about professionalism; this is about what has happened. The money that is available to corporations to be able to engage with their stakeholders is matched absolutely with the opposite, the lack of resources, from those who are critically able to analyse.

I was just wondering what the panel's views are on whether that has meant that reputations ultimately are more stable. If it is controlled by corporations, you would argue that reputations are probably therefore more stable. I am interested to get a perspective from the panel.

Who wants to kick off a view on that?

Tony Hadley: I think the panellists here, perhaps including myself, put too much stake in the media's impact on reputation. The media does have an impact on reputation, but far less so than other stakeholders. I just see the media as one stakeholder, one group. Multiple stakeholders within a large group media. It could be trade press, it could be general media. It could be provincial media. It could be national media. It could be global media. It could be social media.

Instead, you are not going to be looking to the media to build your reputation. This idea of earned reputation through media coverage to me is a falsity.

You earn reputation by building a good product and advertising it to the right constituents and to the right customers.

If you are looking toward media for earned reputation, you are not going to find it because it is not the media's job to build your reputation. It is the media's job to expose wrongdoing or other dimensions of the company that attack your reputation. So I think that there is an over-zealous feeling that the media has, or should have, more impact than it does. I agree that it has some impact, not as much as perhaps journalists want it to, but for very obvious reasons.

Jesse Eisinger: I agree with that entirely. I would state it differently. Corporations now are able to circumvent the media. The media has become much less relevant. The technology has enabled corporations to deal much more directly with their consumers.

We heard a lot about democratisation of information in the first panel. But it strikes me that to the extent that there has been any democratisation, and I am somewhat sceptical about it, democratisation and enfranchisement are two different things so I do not think consumers are actually enfranchised or empowered.

Certainly the poor are not. The poor may not have much information but they certainly have more information than they do enfranchisement. So corporations have been able to use this technology. We have heard a lot. We have heard it is a relentless triumphalism about technology's power. But in fact it seems often to be a tool to be used to promote the powerful already. So you see the NSA being able to spy on people. You see China being able to use technology to further the oligarchy's power. I am not saying all corporations are fascist oligarchs, but we see them being able to further their power in this country as well.

Steven Davidoff: I think the media is much more fractured. I think that is clear. I think we are beyond the days when you could just put a story in the New

York Times and be happy and go home. It is much more bi-dimensional, as you know. All that being said, I do think that there are thought leaders out there, and things come down. There is still a battle to get in The Times.

For those of you who do not know, I write a lot about mergers and acquisitions. So any time a deal is announced, I know I am going to get calls from the PR people - from everyone. There is an investment banker I cannot stop calling me.

So there is an attempt to influence the thought leaders around the line. I do think that that does move things. Again, just one final comment, I do think this idea that newspapers are objective, like the beat reporter - I think it is harmful, actually. I would much rather prefer the English system where you just knew your paper was Liberal or knew your paper was Conservative.

The idea that you have to go and get the objective view of someone and listen to them and then you have to sit with them – and you saw this effected in the reporting on Goldman Sachs, where Lucas van Praag and Gretchen engaged in trench warfare, with Lucas forcing her to listen. Better that Lucas could have just gone to the Conservative version, and they could have battled it out. That is just a viewpoint.

Ray Nasr: This is a great discussion, by the way. I think that it is really healthy. On the idea of the professionalisation of engagement, obviously it is asymmetrical in terms of the resources that corporate institutions have and the press community have. Obviously, it is massively asymmetrical.

But I will be totally honest. When you are a director of communications at a start-up company, you need these guys. Especially at the thought leadership. We need Kara Swisher or Walt Mossberg to advance an opinion that will translate what we are doing in Silicon Valley with bits and bytes, and the rest of it, to the rest of the community, the readership, who are, as has been said, the most important constituency.

To not have the Washington Post - when you see Jeff Bezos acquire the Post, or when you see all things digital, just when you see the institutions' fate, from our perspective this is tragic but maybe those opinions will surface in other places and there will still be a lively, vigorous discussion about products and services that are relevant to our lives and are ultimately going to enhance our human condition. That is the spirit of how I think about engagement. Whether it is professional or not, I do not know. But I think it is an interesting topic

Tony Hadley: I think we will hear probably more about that in the next panel when we talk about polarisation.

It comes down a little bit to what David was saying about calling sources and getting the story. I got my BA in journalism. I was taught; it was drilled into my head, "Tony, there are two sides to every story. Go get them." I learnt when I moved to Washington that there are about 10 sides to every story. But they are never covered by the media. It is still a polarised two sides. "He said this/she said this", and that is the story. It is not a very sophisticated way of getting a business story out, in my mind. It leaves a lot because of this polarisation I think in the media. But we will get to that in the next panel.

Rupert Younger: A follow on slightly on this is that one of the things is this. Jesse, you mentioned about whether reputational damage was lasting. You took a look at the Goldman Sachs example. It is a very interesting question about this. One of the things that strikes me, and it is what we spend our life doing research on, is this idea that actually organisations have multiple reputations. They have different reputations for different things. It is entirely consistent that Goldman Sachs' trading reputation did not suffer, because it was doing exactly what its customers wanted it to do. It was to make lots of money and be very aggressive and be innovative in the product areas that it was being innovative in. That was absolutely the reputation in that area with those customers that it was trying to put forward.

It was the reputation for being a responsible financial organisation within the regulatory community which was the other reputation that was bashed; but that did not have much lasting power in the media. It seems to me that the voice that was heard most by the financial media was in fact not the regulator's voice; it was the other investors who spoke to the journalists, who spoke to the investors, who spoke to the journalists, and that sort of reinforcing cycle.

Does that resonate with how you see it? Does that pick up the point that you made on Goldman Sachs?

Jesse Eisinger: Yes. What is happening is the amplification of stories is maybe greater than it was in the old days. If you had the St Louis Dispatch breaking a story on Budweiser, which they might be not inclined to do, but if they had, it would slowly creep out. It would become amplified slowly over time.

Now I think it all happens in the Super Novo, on Twitter in a day, and then every journalist thinks it has been covered. It may not have trickled out to the rest of the world. You get these extraordinary explosions of reputational damage that then recede almost instantaneously.

But then you have the actual structures of power. So the resources that Goldman can bring to bear on lobbying for its interests in Washington are so overwhelming compared to the resources arrayed to criticise them, or to raise some objections to what they are saying. It is comical, the differences in resources and time.

The media will take a couple of shots but the power and the money and the ability to allocate resources, mobilise resources, is overwhelmingly on one side.

The final point that I want to make is that I think that there is a social norm that has changed. I was reading a novel a few months ago, the Age of Innocence by Edith Wharton. There is a minor subplot where a banker destroys his bank and has to leave the city. His reputation is destroyed. He is banned from high society. But now you have Lloyd Blankfein who sustains no reputational damage. You can be Chuck Prince and destroy your institution and then, as I said in my talk, show up at Aspen Ideas the next year and be regarded as someone whose thoughts and opinions should be sought out.

Steven Davidoff: I think it is interesting. Goldman Sachs is an example. I think there are a couple of things. One is the reputational issue of Goldman Sachs vis-à-vis its customers. There is a question of whether they were just a broker engaging in transactions, and so it was not a big issue, and I think there is a big view of that. We have not seen a lot of customers of Goldman Sachs suing them.

Then there is the public perception of Goldman Sachs. Goldman Sachs has worked – I hate to pick on Goldman Sachs – very hard. I think that they have sustained reputational damage. I think they have been hurt. I think that there have been critical articles in the New York Times of Goldman Sachs. Certainly in other journals. I think that Goldman Sachs have worked; they have totally revised their PR team, which does not really matter. We want to see deeds not actions. But we can talk about their actions. They work very hard to do that. For example, when Gary Cohn comes to Columbus Ohio, number two guy at Goldman Sachs, he has lunch with me. I am a schmuck. There is no reason he should have lunch with me but they are working hard to speak to people.

Are they trying to spin this? Are they trying to access us? Maybe. But they are also trying to show that they are good corporate citizens who work that hard.

I think we can de-personify corporations and call them evil, or otherwise. They are people - as Biz Stone says, "Kumbaya", people are inherently good.

You see this. Look at the Lerner article that the New York Times wrote about the fairness opinion that Goldman Sachs gave which was 3000 words saying Goldman Sachs had swindled this couple. Sure enough, a few months later, a verdict comes out and Goldman Sachs is cleared at a trial by a jury.

So there are examples where The Times has been quite critical but the popular public has not.

Jesse Eisinger: You say Goldman has sustained some reputational damage. What are the consequences to Goldman Sachs or Gary Cohn or Lloyd Blankfein of that reputational damage?

Steven Davidoff: What do you want? "What world do you want?" I guess is what I am asking.

Jesse Eisinger: Well, there would be two questions then. Either the reputational damage that they sustained was valid, or the reputational damage was invalid. If the idea that reputation was damaged was valid, that they did something bad, then they need to suffer some consequences. Either they need to lose money, they need to be punished.

They need to be put in prison. They need to lose their jobs. If you think that the reputational damage was for bad actions, there should be consequences, should there not?

Tony Hadley: That is a kindergarten view of the world. Steven Davidoff: Well, what are the consequences?

Tony Hadley: It's not to the executive directly. But just take JP Morgan Chase, the consequences to its hiccups. It seems to me that while companies are good companies, they sometimes do bad things. That is what we have got to figure out what companies are. It is true. For all the bad things they did, about $10 billion have been dragged out of their company in fines. Who does that hurt? It usually hurts the stockholders. They have been punished. They cannot innovate in the financial services industry like they once were. There is a cloud over innovation in financial services that hurts their profits. So they had been hurt. I think financial entities across-the-board have been told to kneel, and they are.

Rupert Younger: Before we get too detailed on Goldman Sachs, I would like to open it to questions from the floor.

Question: I have three quick comments. First to Jesse. I am the third journalist in this room.

Ray: I would live and die and breathe for the 3.30. It is what I do for a living, which gets to you, Steve. I also work for CNBC. I was a full-timer for three years until now.

Here is my point. My whole job there, just FYI, was to raise red flags, because that is what I do for a living. So while you can see there is a cheer-leading environment, there is the other side. In this world of doing it - and I will tell you it is the side no one wants to hear, no one wants to deal with, they want basically to turn me off. But it is just an interesting dynamic of it.

Question: I just want to point out – Jesse and I have had this discussion before – but in the JP Morgan situation, you look at it and you say nothing happened. Jamie Dimon, in a year of record profits after the "London Whale" had his income cut in half. That is a significant impact on a person. And he felt it. You cannot so easily say he did not go to jail. He did lose half his income in a year when the firm had a record income. That is meaningful.

Question: The impact of the reputational damage which has been suffered by the financial services industry and the big banks is I think seen mostly in the price to book ratios of the big banks which have all come down and not recovered. They have come up a little bit this year. I think that is where you see it.

Rupert Younger: And also capital requirements as well. The regulatory aspect where capital is now. That is a huge change for banks. That has come as a direct result, I would argue, from the crisis.

Question: But the question I have is for Ray, which is about these banks. Ray Nasr: About banking?

Question: Yes. Seriously, I want to know------- Ray Nasr: Why is it not a wine question?

Question: What's with the mellow thing – seriously? The question I have is in terms of your clock. Where is the banking industry on the clock?

Ray Nasr: Well, if this were 2008, in the dumpster. Question: And where has it been for the past five years?

Ray Nasr: I think they are still in turn around mode. Again, you can talk about entire institutions on this. These banks are so enormous and have so many divisions that they create their own weather systems. It is like talking about IBM. These are huge institutions. It is different to talk about a company like Facebook Twitter or Snapchat. That is more single product types of company.

Look at the cruise ship industry after the Concordia disaster in the Mediterranean. They were in the dumpster for months. People were not booking travel. But now they are in turn around mode. You can talk about industries but banking is just so colossal. It is a little more of a challenge.

Rupert Younger: Thank you very much to the panel. We are going to have a quick break now and we will be back in 15 minutes.

Appendix C How Reputations Are Won and Lost in Modern Information Markets

Panel 3: Polarisation

Victor Fleischer (Professor, USD School of Law: Why don't we get started. My name is Victor Fleischer, I am a law professor here at the University of San Diego. I also write a column for DealBook called Standard Deduction about tax policy. DealBook is well represented here today.

Each speaker gets to do their own very short bio. So here is mine.

I write a lot about the tax treatment of carried interest. John Carney, when he was writing for DealBreaker, reported that I was sometimes called the intellectual godfather of private equity tax hikes. I fully endorse that as my short bio.

Our panel is on the topic of polarisation. Our first speaker is going to be Herb Greenberg, a financial journalist with CNBC. Second will be Marco Alverà, who is senior executive vice president, at eni and an associate fellow at Oxford. Third will be Simon Lorne who is vice-chairman, and chief legal officer with Millennium Management. Then Chris McKenna from Oxford will be going fourth. Anat Admati, from Stanford, will be going fifth. Finally, my co-moderator, Rowena Olegario, from Oxford, will be helping moderate the panel and jumping in with some questions.

We are short on time so I am going to try to be as ruthless as I can, keeping everybody to 7 minutes to leave some time for discussion, both from the other panellists and with all of you as well.

With that, Herb, you are up first.

Herb Greenberg (Commentator and Editor TheStreet and CNBC): So, I actually am at CNBC as a contributor these days. They actually are going to put a camera in my home here in San Diego, and TheStreet.com is my home right now. It was my home also from 1998 through 2004. I have been a journalist for 40 years, a financial journalist all that time. Since 1988 when I was at the San Francisco Chronicle that is when I basically honed what I do, which is trying to fly red flags over companies. It is not the most popular job in the world, as Jesse can attest and as Felix can attest, but it is a job. Somebody has to do it, especially in the financial markets.

We were talking about the polarisation of knowledge. I am going to cram a lot in here in seven minutes. I was trying to think about that. As Steve said on the other panel, I had no idea what they really were talking about. But as I thought through the concept, I thought through about the polarisation of the dissemination of information and of the consumption of information.

Back in the day when I was a columnist, we were talking about this earlier off-line, I could write for a newspaper. When you talk about knowledge, you had the print source right there and nobody could click on anything, and nobody knew whether my stuff was being read. And now you have a situation, with everything that has been discussed so far, where you have almost a correlation. The stories you are almost force fed to read are those that get the most clicks, unless it is an enlightened news organisation that still uses editorial judgement to place important stories at the top of the page that may not be read.

The biggest change in my career, obviously, in doing all this, that has led to this real polarisation of knowledge, dissemination and consumption was the Internet. But within that, in financial journalism was the advent of stock message boards. This is where it all sort of started. This is where people started to act like a herd, to get comfort in numbers.

They would sit there and realise that they could create their own knowledge base by talking to one another, talking about plants and parking lots and

Silicon Valley, and whether they were full or they were not full and whatever was going on. This was where people started to effect reputations. We talked about reputations earlier.

This is where I could come in. I would be writing a story and the herd would basically try to discredit what I was saying. And then we morphed over to blogs. Anybody can have a blog. This is another great change. Felix is one of the great examples of the creation of blogs. From out of nowhere comes Felix Salmon. Steve, from nowhere. My sources! People I used to talk to to get information that made me seem so smart. Suddenly, they all have blogs. They were all blogging themselves, and on the one hand it knocks down the walls of what journalism as we knew it was, but it also creates this broad sea of information.

I looked at it and I would say "How do people understand who this is coming from? Who they can count on? Who can be held accountable? What rules do they operate by?" The rules of engagement that Jesse and I, and perhaps Felix, were educated with, the rules of engagement of being able to call somebody a fraud. I cannot call somebody a fraud, but, in the world of bloggers, you can call anyone anything you want because you probably will not be sued for libel.

When I did documentaries for CNBC on Herbalife and Intuitive Surgical, I had to jump through hoops with lawyers, like you could not believe, to get this thing on air and to write what wanted to write. Every document, even the documents I was using, had to be vetted by lawyers.

As the world has spun forward from blogs and we see things like Seeking Alpha - I remember I was sitting there - my stories are on Yahoo Finance. One day I look and there was this Seeking Alpha story. Right next to mine! Some guy I had never heard of. Who, what, when and where?

This is where again we keep moving forward until we hit social media. Social media of course, I would argue, Jesse, democratises information but it commoditises information. But it has changed how we consume information. It has changed how I consume information. I could call myself perhaps at this point in time I should be the most polarised journalist, given my age and given what I have done. But instead I have chosen really early on to accept Twitter and social media. I use it as a form of dissemination of my information. I use it as a form of consumption. It is my first read in the morning, because basically I have created my own news feed and I get linked to things I never would have seen in the past.

It has its good and it has its bad. I have learned how to write in 140 characters or less and get as much out there as you can get out in 1200 or 2400 words – at least the message of the story you can get out pretty quickly.

When we talk about polarisation, I think of stories that are polarising, where you can really see the polarising of knowledge and how it comes about. I will tell you that there is no story that I have worked on in 40 years that is more polarising to the two sides than a company called Herbalife, which is a multi-level marketer. This is a remarkable story.

I spent 10 months investigating it with several team members of CNBC. We were working on a project and we found out later that a hedge fund manager, named Bill Ackman, right before we did our piece, was working on the same thing.

I know this story cold. Ackman comes out, puts a three-hour presentation, and I am looking and I said "My gosh! He knows more than I do, and this is really incredible stuff." The stock gets pummelled. It turns out a lot of people do not like Bill Ackman - certain people in the financial community.

Pretty soon you end up with a situation where Carl Icahn comes in. Not just Carl Icahn, actually, Dan Loeb [?] and others come in who just wanted to bet against him. The stock was low. They saw an opportunity to make a quick profit and they did not like Bill Ackman. They started to create this sort of disinformation campaign on whether Herbalife is a pyramid scheme.

What they effectively did is they came out and I think decided that the government was not going to go after Herbalife, so many investors bet against Bill Ackman and bet in favour of Herbalife. What I found fascinating about this is in my entire career never have I seen, with the information and the knowledge I gain in my reporting, so many people bet against me, bet against what I did, who I would have thought would have known better, because they do not know the full story.

Carl Icahn would go on television and say "I watched that presentation. Ackman did not know what he was talking about." Well, the fact is Ackman did know what he was talking about. And the way the markets reacted to the stock shows you how people now can be selective in their information, how polarising knowledge has become, how you can pick and choose who you want to listen to. That of course will change. The story is continuing to move on. And I am out of time!

Marco Alverà (Senior Executive Vice-President, eni): Thank you. My name is Marco Alverà. I started working at Goldman Sachs, but I left Goldman Sachs 10 years ago to join eni. So I will talk more about my experience in eni. eni is the fifth or sixth largest oil and gas company, just behind Chevron and BP. My experience is probably a little biased on the B2B side. I do not have a lot of mass-market and consumer experience.

It is fantastic to be here. Thanks very much, Rupert, for inviting me. I usually go to conferences talking about fracking and oil prices. This is a very different subject matter for me. I just want to share some thoughts.

Certainly, being a leader in a world where everything you say is likely to be on the record and to be stored forever and accessible every day to anyone is quite daunting in itself. Moreover, if you want to make your voice heard and want to be distinctive you have to make your voice louder and clearer, and this inevitably leads to polarisation.

What I feel is that the long-term stakeholders have not really been subjected to this polarisation. When employees decide to join a corporation, they take a long-term view. They analyse it carefully. When long-term shareholders invest, they take a very informed view before making that decision. The same applies to partners; to governments. So in my direct experience the business meetings you have, the one-on- ones, the analysis you share with investors and media, is very much the same as it used to be, and the same as it was 15, probably 20 or 30, years ago.

It is completely different though when we look and think about short-term stakeholders. Short-term stakeholders have indeed become a lot more polarised. I think this is true very much for three categories of stakeholders. One is investors, and within the investor community there has probably been some polarisation between the longer-term investors and the shorter term investors. The investor presentations we used to do, the PowerPoints and the guidances were very much based on long-term plans, four or five year plans, and the longer term view. A lot of the Q&A was on the middle term, what is going to happen one year out, what is going to happen at the end of the year?

I think now when we announce results, quarterly results, there is a big part of investors out there whose focus is really just what is going to happen upon announcement; what is get a happen 10 minutes out, 20 minutes out, during the day. So you get a lot of emphasis put on the short-term and on the quarterly guidance.

Some companies have re-shifted their investor communication and their effort to really work at the guidance and almost change their course of action based on the guidance. Other companies have taken a completely different view.

At Unilever, Paul Polman, when he became CEO, scrapped guidance altogether. He told investors "I am not going to give any more guidance." The stock price dropped 22% on that day. It is now up 80% compared to what it was, outperforming the market, so, again, polarised and different reactions to that.

The second category in short-term stakeholders which is subject to polarisation is in a particular type of media doing online commentary. I work in commodities, around commodities.

Just a short story on what happened when the coalition attacked Libya. There was a lot of confusion in the market. No one really knew what was going to happen. Two people from the Libyan government escaped, went to Malta with the fighter jets. They landed and they said something in Arabic which no one in Malta could understand. There was gossip out on the news that they had deserted because they had been ordered to bomb the oil and gas facilities. Instantly in five minutes from this gossip breaking out, the oil price goes up five or six dollars.

Five or six dollars probably means $4 billion a day of delta[?] for the global economy.

At that point, everyone puts pressure on the Saudis, and the Saudi oil minister comes out 10 minutes later with the statement online saying "No problem. Saudi Arabia will supply all the oil that is going to be missing from Libya." The oil price did not go down. Why? Because there is a kind of bias in the commentaries, and there is a bias towards the story that oil goes up. It is a much more interesting story. It probably attracts more likes or more hits or it is more visible. I do not know what the parameters are for people pushing it.

We were sitting there knowing the mechanics of it, knowing the balance, the world had the same amount of oil, Saudi Arabia just increased 2 million barrels a day production, but the oil price stayed high. By the way, it is probably still seven or eight dollars higher than where it should be. It never recovered.

There is a bias which really has profound impact on the markets.

The third category is that of activists. There are a couple of examples. I was in Istanbul during the Taksim disturbances in Taksim Square when Erdogan decided to push very hard against the demonstrators there.

What the demonstrators did, using social media, was they decided to boycott, because they could not really hit back at the police who were much stronger than them. They decided to boycott a bank and a supermarket that were run by two businessmen. All they did wrong was they happened to be friends of the Prime Minister. If you do a run at a bank, and if you decide not to go to the supermarket, after only a week you are creating very significant issues bordering with bankruptcy.

One of these individuals at the bank distanced himself from the Prime Minister which did not solve the boycott and did not improve his relationship with the Prime Minister.

So you end up reacting in the short term to an issue and you actually make your situation worse off.

What I conclude around reputation and leadership is these short-term polarisation effects are creating huge waves in what is a pretty rough sea in general. In order to cut through these waves, to motor ahead, our leaders need to have two things: integrity, take the North Star that sets the direction, you need to know where you are going if the waves are bigger; and you need to have the courage to plough through these waves. You need to have the courage to be vulnerable; you need to have the courage actually to turn this into an opportunity.

If instead of ploughing through and knowing where you are going and being open and transparent and setting a course based on your values, you try to sail around these waves, that is where leadership fails. That is where your reputation fails because you can have multiple reputations with multiple stakeholders, and to juggle all that if you are not being very transparent, very open, and very embracing of the opportunity to make your voice heard and explicit, that is when you lose. That is where leadership becomes following, and that is why CEO tenure went from seven or eight years to probably four and a half years in the last decade. Thank you.

Simon Lorne (Vice-Chairman and Chief Legal Officer, Millenium Management): I am Simon Lorne. By way of background, I have had a number of different jobs. Maybe I have been finding it hard to keep a job. I have practised law in Los Angeles for a number of years. I was a managing director at Salomon Brothers for a few years. Then I was general counsel of the SEC for a while. Then I was back at the law firm for a while. And now, as was announced, I am vice-chairman and chief legal officer of Millennium Management which is a hedge fund manager on the shorter end of the spectrum with about $20 billion under management.

I look at these things from a number of different perspectives. It is useful, and I think it is already clear, Rupert was saying earlier that it is hard to talk about reputation because there are reputations – plural – and in fact there are polarisations – plural – that are useful to talk about. Marco was talking about long-term and short-term polarisations and polarisations within the short-term community. There is a notion of economic polarisation, income inequality, there is a notion of political, sociological polarisation, Tea Party, hard left, etc.

I think in terms of corporate reputation, political polarisation is the interesting one to think about. If we think about how the media has changed that, or the changes in technology have affected the way that we think about reputation, I think that is the easiest way to think about it. There are probably three possibilities.

Either we have chronologically got a lot more polarised, which seems to be a popular notion, or there has not been much change, or there have been small changes. In fact I think what we have is a situation in which there may not be more average polarisation, but I think of it as a bar bell. You have two ends on the bar bell and you have a middle. I think the degree of polarisation we have depends on primarily the topic and the attention it gets.

I suspect the average polarisation has not changed much in the last few hundred years. If you saw the movie Lincoln, you saw the United States Senate in the post-civil war years. That was a pretty polarised body. People were coming to blows in the United States Senate. We are a little bit more genteel now - we are not coming to blows at least. I do not think there has been an average increase, but I do think that it may well be that as the information technology has changed as the world has – I do not want to get into the debate about whether it is democratised information – but as information spreads much more quickly, and is purveyed by a number of different people, we have a lot of different kinds of attention being paid.

Two different people have given this example already today. If you think about Governor

Chris Christie and the Fort Lee situation - and living in Manhattan I may see a lot more of it than other people; I may not; I am not sure – regarding Chris Christie, the Governor of New Jersey, there were accusations that his people - whether or not he directed them is a question - in retribution for the Mayor of Fort Lee, which sits across Manhattan on the George Washington Bridge, had arranged for massive traffic tie-ups by closing down a couple of lanes in New Jersey.

I suspect if you think about that activity a long time ago, 150 years ago, it seems to me very unlikely, given the way media was then - the only public mass media we had were newspapers; there were not very many of those, and a large part of the population was illiterate - that word would have spread around the country about Chris Christie tying up traffic on the George Washington bridge.

If you think about it as recently as 40 or 50 years ago, when we basically had two newspapers in every city, and three TV stations that were the primary channels of information for most people, you can imagine may be, certainly in the newspapers in New Jersey and New York, it hit the national news. If it does hit the national news, they have got a lot of things to do. They have only got so much time. It has got to be gone in a day or two.

If you think about it today, it is going to hit and it is going to stick and it is going to last. There are going to be people who will continue to look at it. How many people there are, depends on what the issue is. I think if it is Fort Lee, New Jersey, it may be – I am just guessing – 5% of the people who will continue to look at it and harbour it and 95% will not care.

If you think about a polarised view of abortion, it is more like 40%, 35% and 25%, in the middle, or something. The attention that something gets in the first burst will affect how these ends of the polarised mass look at it.

BP will have a much bigger group of people, some defending BP, some opposed to it, much bigger groups than a much smaller issue affecting a small company.

What does that mean for reputation? In terms of establishing reputation, I think the earlier panel was absolutely right. The media is not terribly relevant. In fact, you establish a reputation over a long period of time by behaving well. Or you establish the other kind of reputation over a period of time by behaving poorly.

In terms of reputationally destructive events, what it means is to my mind the initial impact will determine how many people are going to pay attention to it. But after that, the event will be there for a long, long time and there will be a group of people that continue to pay attention to it and harbour it, and you have to work on satisfying the larger group and trying to make that end of the polarised group as small as you can in time.

Chris McKenna (Oxford University): My name is Chris McKenna. I teach at the Saïd Business School. I like to think that I hear primarily because I introduce Rupert and Frank. I am just a match maker really.

I teach strategy at the business school but I am also a business historian. So when I got put on a panel on polarisation I tried to figure out what this was. I immediately hit the academic literature and I found out that there are three academic literatures on polarisation. I think that the one we have been implicitly talking about is the sociological political polarisation, which is about the bimodal distribution of beliefs and public opinion.

There is a lot of interesting literature about that that started in the late 1990s, particularly Paul DiMaggio wrote a piece for the American Journal of Sociology on this, and a lot of academics have written about it.

What is interesting is that they can debate it because it is not clear that that polarisation is any stronger than it was in the past, to follow on what was just said.

There is a second literature that comes out of economics, which is about the macro- economics, whether employment is becoming polarised, whether the great middle swathe of employment in the United States is going away, and whether in effect elites and low-level service workers are the ones who are benefiting.

Then there is the third that I think you never thought I would bring up, which we might as well talk about. It is chemical. Polarisation in chemistry is the alignment of crystals. It used to be in the 19th-century it was crystals that could only be found in nature, that refract light in a certain way through them, so the light comes through and the wavelength is linear. If you take another polarised filter, you can actually block it.

I should put on my shades at this point. Okay, so the light is supposed to be blocking. Interestingly, if you are wearing polarised focals, I using an iPad at the moment, you will notice that it blocks out the iPad because the iPad also is based on polarisation.

When I was asked to define polarisation, I had to decide which meaning of polarisation they were presuming that I was going to talk about. I knew exactly, as a business historian, what they wanted me to talk about. And that is of course the Polaroid Company. The great proponent of polarisation. I knew that was what they want to be to say.

So I want to tell you about the history of Polaroid. Edwin Land was the Steve Jobs of his era. He was incredibly important. He was a Harvard dropout - see a similarity here? - who came up with the idea. He was the one who invented the thin films that are polarisation. He wanted to put them on cars so that when you saw a car coming at you it would block the light. Unfortunately, the car manufacturers had no interest in it. They just never helped him with that. But his saving grace – and the company nearly went out of business – it had some contracts for sunglasses. The company nearly went out of business until World War II came along. At which point all that stuff is really useful in bombing and other sorts of missions that they were on.

It grew very rapidly. It had about 2500 jobs. Then it nearly went out of business because the war nearly came to an end. At which point his daughter said to him when he happened to be on vacation, "How come I cannot see the picture which you just took right now?" He said that was an interesting idea and he came up with the Polaroid camera. Of course, the Polaroid camera took a long time to develop, but it partially involves aligning crystals. It actually comes through polarisation.

Anyway, by the 1950s/1960s, he has developed a company. It is a darling with retail investors. But Wall Street hates it. He keeps having to invest enormous amounts of money in big products that might win or might fail, like the SX-70. That was a fantastic product. He spent $1 billion developing that. You are going to hear billion over and over again. I will state billion four times – different billions.

Within a decade the market for instant film is $1 billion a year. But he is up against Kodak, and Kodak comes out with its own products at which point he gets patent attorneys to sue them. He wins $1 billion judgement - see, billion again! - against Kodak. The largest judgement of its time.

This entire story is about all three of those kinds of polarisation. I have talked about the polarisation of lenses, it is also about the polarisation of jobs. By the 1970s there are 25,000 people working for Polaroid and they are fantastic jobs. They were middle-class jobs making Polaroid film. They were making over $100,000 a year, some of those workers, who just worked in the factory. Fantastic jobs.

But of course, we know where this ends. Visual cameras are coming along, people get less interested. Land tries to develop a picture system that would be instant movies. It fails. Betamax takes them out; Sony takes them out. He has to leave the firm – are you hearing Steve Jobs again?

By the way, Steve Jobs said the one person he wanted to be most like was Edwin Land. He had brilliant descriptions from the analysts and the public. People had him on the cover of Fortune magazine.

So where are we with this? I have got the economic one. I have the polarisation of public opinion, corporate opinion; and I also have these lenses. Polaroid decides that the future is not Polaroid technology. They are going to get out of it. So they shut down the makers of Polaroid film. Marco and I were talking about this earlier. Now in Europe you can buy Polaroid film. You have two pay twice as much for it and it is not as good but somebody else brought it back.

By the way, if you want to take a film that looks like a Polaroid, you can take an instant picture and then run it through something called Instagram. Do you know how many people worked in Instagram when it was bought for $1 billion? Don't you like that number? Facebook paid $1 billion for it. How many people worked there? 30. So when you lose 20,000 jobs in Polaroid, you replace them with 30 by the company that makes almost same thing. That is the polarisation of those jobs.

Finally, interestingly, you get a whole set of other things coming out of Polaroid, all of which seem like reasonable markets. The project for making the film; Instagram; and then finally, by the way, all those thin films, I was saying about this, they go on here, and if you want to watch a movie in a theatre with 3-D, you need polarised lenses, so to this day the patents that Polaroid has, are still being used to revive the movies that he was thinking about developing in the 1970s.

The question that I am asking is whether this has always been with us, this kind of polarised market, but then what has changed? The interesting thing that has changed is the industries that are replacing it, that are polarised, have a problem, and that is that they are not replacing them with the same kind of size. So Twitter is not just quite the same size as Polaroid and never was and it is unlikely to become so. The question is how are we going to do that?

Then, finally, for Raymond anyway, he would have told me that the story of Polaroid was one of the 3.30. They were constantly on the verge of failure and then coming back and failing and then coming back, and so finally the story got all the way to failure and the turnaround never quite happened. I think the polarisation has always been there. I think the question is what is different about this one polarisation? Thank you very much.

Anat Admati (Professor of Finance and Economics, Stanford University): My name is Anat Admati and my slides have started and my slides are going to advance every 20 seconds, so I had better start talking. I am Professor of Finance and Economics at Stanford Business School, and I am going to talk about polarisation, touching back on things that came in the panel before.

So, what is this? A professor of finance and economics, and the simple finance, financial intermediation, that you saw in the first slide is no more except in maybe developing countries, where there is a village lender. What we do have is a system that is really, really complicated and it is highly interconnected.

This is Iceland. This is Icelandic cross-holding. You have 1000 people in an economy that had a financial sector explode, and this is taken from their commission on that. It is visually the cover of a book on it.

What is this system - extremely fragile system? In fact, it is based on lots of inter- companies, inter-banks borrowing and lending; a huge amount of borrowing with very little ability to absorb losses, like homeowners buying a house with very little down payment.

And there you go, the dominos. We have seen the contagion that can happen. We have seen lots and lots of companies, banks, financial institutions, fail at the same time. And when that happens, it is very disruptive to the economy, which is why we had a financial crisis.

The financial crisis had a lot of collateral damage, so much so that governments and central banks pulled out all the stops to prop up the financial system. As Ben Bernanke would tell it today, they did it all for us. They then had their stories and their narratives. One of those is a [?] narrative.

It was all a liquidity problem, just a liquidity problem, something that happens when you just did not go to the ATM at night and you just do not have access to your job.

And here is another narrative. It is a 100 year flood. It is like an earthquake. You can prevent a natural crisis. It just happens and then you want a safety net. As a result of the earthquake, the house just got swallowed up. This is going to happen. These things will happen. Then what happens? The government has to save the system.

But what about this narrative? This house crumbles and the houses next to it did not. Maybe it was shoddily built. Maybe this house could not stand the earthquake. It was [inaudible] Los Angeles where some things collapsed or like a bridge in Washington collapsed.

Here is an aeroplane crash. We do not know why the aeroplane crashed always. Maybe it is the pilot flew too low. Maybe it was just the weather. We do not know. A lot of people are going to have a lot of stories about what happened here, and they will have what is more convenient for them.

However, there are only some stories that you can tell about an aeroplane crash because aeroplanes have flight recorders that are called black boxes, but in fact they are orange.

The flight recorder is going to constrain how much people can tell stories that work for them about what happened.

Here you have three dressed men. The middle one happens to be Jamie Dimon, but it could be anybody. Men dressed well saying things about what happened, about what is a good system and what you should do next.

In fact this is the cover of a book I wrote called the Bankers' New Clothes. A lot of what is said by many people involved in this, all around the system, is wrong. In one way or another it is wrong.

In fact, this is what is going on. What is going on is a lot of action [inaudible] which is good for the [inaudible] financially but harms other people. Some exponality that you need to regulate.

In fact, what is going on is some actions that are very addictive. For example, [inaudible] can be addictive [inaudible] can be addictive. [inaudible] may be sometimes creditors but not under some conditions. We have policies that implicitly or explicitly encourage and reward the same harmful activities and we get polarisation.

People are angry about the financial crisis, inequalities, banks; but they do not quite understand what the problem is and so they are not quite sure who to be mad with. They think something is wrong but they are not sure what it is and what to do about it.

Here is really what the bottom line is. The bottom line is the narratives are wrong. It is the policymakers that failed to contain the system, and they choose to tell their story the way Ben Bernanke today told his story, starting from the earthquake that happened, and they stepped in, forgetting to mention or to take responsibility for their own failure to contain that risk and not to prevent that building up.

So that is the story that works for them to tell you, and then there are going to tell you lots of other stories like this is a system that is inherently fragile but it is wonderful, wonderful [inaudible] terrible things will happen. Wrong!

So what you have here is a situation of great polarisation between truth and what you are told. That is the real polarisation.

However, unless people understand it, and unless people put more pressure on this system, it is not going to self-correct.

That is the conclusion that I have come to and I do not know what other crises it will take, but in my view they tweak the regulations clearly ineffectively and it is the kids who are reducing the speed limits from 90 miles an hour to 87 miles an hour [inaudible].

Victor Fleischer: Rowena, do you want to ask the panel the first question? Rowena Olegario (Senior Research Fellow, Oxford University): [First words not recorded]... trying to put all of this together for you. Fortunately, I am a historian. One of the things that I asked is exactly what Simon asked and what Chris asked, which is are we more polarised? Is there more polarisation these days than there ever has been?

Listening to these speakers, I have come to the conclusion that, in some areas, we are no more polarised than we ever have been, and in some areas there is more polarisation.

Let me see if I can try and unpick all of that. I think that in the area of politics, especially US politics, we are not seeing any more polarisation than we ever have. The entire history of American politics, apart from a couple of decades after the Second World War, which is the age of consensus because the Cold War was making us all at least look like we were thinking and feeling the same things, but apart from that we have had a very polarised society. Hamilton v Jefferson, agrarians v the north-eastern bankers; those who supported the institution of slavery versus those who did not. Politically I do not think we are any more polarised than we ever have been.

The capital markets, however, is an interesting story. It is different. When I am listening to Herb and also to Marco, it strikes me that there is more polarisation and it is being driven by the two shorts: the short-term investors and those who short companies like Bill Ackman. There are more of those than they used to be.

It used to be that when you were a retail investor, in particular, you bought and you held. If we did that, if all we did was we buy and held stocks, polarisation, I submit, would probably be less, the polarisation of information in the capital markets, it is the short-termers and those who short companies, that drive this.

The presentation on banks: I think is also a kind of polarisation because we are in a situation now - I am a historian, I do not like saying that this is unprecedented but I will say it - we are in an unprecedented place when it comes to the financial markets because of the recent financial crisis. We have never been in a place where the government immediately steps in to bail banks out because the system is too fragile, as you say, banks are too big to fail. We have never been ever in that position.

We have never been in a position where everybody is as indebted as they are. Bust governments, bust companies and bust consumers, all of them indebted. We have never been in that situation.

I think what this has done is that it has taken certain narratives off of the table. You can no longer say "Let some banks fail. Yes, let us test the system. Maybe it is actually more robust than we think. Let some banks fail." No, we cannot say that any more.

We also cannot say "Help the consumers; save the consumers, not the bankers." Some people say that but nobody listens to them. So that is off the table. So I think that is a kind of polarisation.

When it comes to politics, I would submit we are as polarised as we have ever been but capital markets and the financial markets I think are a different story.

That is just an observation. So why don't I just turn it over to you.

Victor Fleischer: Question mark! Reactions from the panel?

Simon Lorne: Well, on the capital markets, two comments. I think you are right, and I think the comments about short term are very right on. I think the difference between the herd mentality that is occurring now is that they can communicate.

I started with the message boards. Now it is social media. So they can communicate and become very loud to their own group. That has created the polarisation between that group and whoever disagrees with them.

Actually, the shorts have always been there and always been active. The difference is that they have a bigger megaphone because there was a time they would never go public with their stories. I would be a conduit of talking to somebody and then doing my research and coming out with something. They never wanted to be mentioned because they were afraid regulators would go after them; they would have all sorts of problems.

Now they are making big presentations and making a big splash. That is probably the difference, but because they are going against the herd it creates this very large polarity no matter who it is.

Marco Alverà: I think a short in itself is not negative. A short is just like a negative coverage or an opinion. So long as it is there for the long-term. The problem is a short in the short term. Someone just taking a decision on five minutes, 10 minutes, two days. That is a decision you cannot take with analysis; that is a decision you take jumping to a conclusion. That is a polarised decision based on a quick call or a speculative call. That does not have the fundamental middle ground. That polarisation takes away the win- win. It takes away that stakeholder engagement that leaders need to do.

Lincoln, I think that film was amazing because what he does, what his leadership is all about, is finding the middle ground in that polarised environment. That is what a leader has to do. He has to have the courage to define the middle ground. But if short termism takes away the time to engage and to find the middle ground, that is where the problem is.

Rowena Olegario: Yes, but remember that Lincoln did something very radical, which was he made sure there was a constitutional amendment that outlawed slavery for ever. Marco Alverà: But in that speech he just... [interruption to recording]..

Victor Fleischer: Sorry, I think we may have lost sound here but we will speak up.

I want to jump in with what may seem like a very academic question. But I think it might sharpen what we are talking about a little bit. Several of you mentioned the polarised response that investors in the capital markets can have to events, facts or information, starting with Herb's comments.

How can this continue in the sense that in academia we tend to believe in efficient markets; if not in the strong form, at least in the weak form: that stock prices are accurately reflecting publicly available information, and if you have a polarised response out there and you have a group that is systematically reacting in a certain way that is not related to the facts on the ground, they should not be able to survive very long in the capital markets because they are going to lose money, and Simon's fund is going to be smart about it and take the other side and consequently clean up.

So how do we square the polarisation of responses with what we generally think of as efficient stock market?

Simon Lorne: I am not sure we are as convinced of efficient markets as we once were. There has been some movement away from that, and perhaps that is the explanation.

You may also find that if you have polarised responses, the stock market is reflecting an average. It may be that they are driving what may appear to be an efficient market.

Herb Greenberg: Could it be as well that in fact that fluctuation is in effect where people are making money. So by driving fluctuations, people are looking for shifts where they can win on the up and then win on the down, and you are seeing that, that they want the fluctuations, that is the way that they are going to make money. A bit of boring stock, that does not move, it remains flat, is not what they want.

Simon Lorne: We also have a lot of very different kinds of trading going on. We have a lot of algorithms that are analysing all sorts of data and looking at momentary prices in relation to that body of data and buying at 15 and selling at 15.05, or 14.95 because they were wrong footed.

Herb Greenberg: That is actually a key point here, the machines and the way they have affected the market and created another level of polarity. I think that we have seen swings in stocks in the past few years I would say. 10%/20%. It is just commonplace now. Those used to be headlines. You would not do a headline "Down 10%" – who cares? Up 10%? That is a huge change in the markets, so when you get to the efficiency.

Victor Fleischer: Why do not we open it up to the floor for questions? [End of Recording]

Appendix D

List of Speakers:

Anat Admati	Professor of Finance and Economics, Stanford University
Marco Alverà	Senior Executive Vice President, eni
Sinan Aral	Professor, MIT Sloan School of Management
Steven Davidoff	Professor, Michael E. Moritz College of Law at Ohio State University
Jesse Eisinger	Senior Reporter, ProPublica
Victor Fleischer	Professor of Law at USD
Herb Greenberg	Commentator and Editor, TheStreet and CNBC
Tony Hadley	Senior VP of Government Affairs and Public Policy, Experian
Simon Lorne	Vice Chairman and Chief Legal Officer, Millennium Management
Chris McKenna	University Reader in Business History and Strategy, Oxford University
Raymond Nasr	Former Director of Communications, Google
Rowena Olegario	Senior Research Fellow & Research Coordinator, Oxford University Centre for Corporate Reputation
Frank Partnoy	George E. Barrett Professor of Law & Finance; Founding Director of the USD Center for Corporate and Securities Law
Clive Priddle	Publisher, PublicAffairs
Felix Salmon	Finance Blogger, Reuters
Biz Stone	Co-Inventor and Co-Founder, Twitter
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