



The Exchange Economy

Multiplying value to drive economic growth

The political economists argued two centuries ago that economies are based on three functions: production, consumption, and exchange. Since that time, first production, then consumption has taken its turn as the driving forces of value creation. As the consumption era draws to a close, exchange is emerging as the next driver of economic growth.

Experiments in the emerging field of neuroeconomics suggest that exchange produces as much pleasure as consumption. When people exchange with other people,

their oxytocin levels rise—in other words, transacting feels good. Multiplying exchanges across a larger network can translate personal pleasure into large-scale economic growth.

So how do we get there? We've already created infrastructures that position exchange as a means of value creation. Think Web 2.0, multiplier effects, network effects, and proliferation through collaboration. The next challenge: How do we increase exchange to embark on a new (and pleasurable) era of value creation?

TAKE ACTION – *designing for Life's Changes*

1.

Show your cards

Be transparent in all your dealings. Transparency builds trust, which is critical for exchange.

2.

Pursue an ethic of citizenship

Treat your partners as fellow citizens in a shared exchange community, not as consumers on the receiving end of your delivery system.

3.

Build in reputations

Exchange is not a zero-sum proposition. You will build your own fame and fortune if you allow others in the network to build theirs.

4.

Go for the snowball effect

True exchange creates a multiplier effect, “a gift that keeps on giving.” Make sure that your products, services, and infrastructures don't just satisfy a one-time need, but rather build relationships over time.

Circulating reportage

The *New York Times* website is part of Owen's morning ritual. He starts by scrolling down to the "Most Popular: 10 Most Emailed" list.

Throughout the day, Owen returns to the *Times* site. He emails stories to his wife, sister, friends, and parents while receiving a few articles in return. His email activity contributes to the "Most Popular" list, and Owen likes to think he is helping make someone else's morning more interesting.

In this constant back-and-forth between his network and the curated content of *The New York Times*, Owen generates value through communication, prioritization, and circulation.

How might media organizations monetize this value in exchange? Might people pay to create a reputation, as well as to engage with others around valuable content?



Urban sharecroppers

People who have space for a garden often aren't the people who have time for gardening. This observation led Trevor Paque to found MyFarmSF.com, a San Francisco-based crop-sharing business.

For Nancy, the tradeoff is ideal: "We have a big yard, but we travel a lot so we can't keep up with a garden." With crop sharing, she gets a portion of the bounty from her backyard and the rest is distributed to MyFarm's members. A similar network is soon to launch in London. Landshare.net is designed to connect growers, landowners, and helpers.

How can social networks expand from exchanging communications to exchanging monetary value and material goods?



eBay entrepreneurs

In 2007, Dana's life completely changed. She got married, moved from Manhattan to upstate New York, had a baby, and decided to change careers.

As she waited for the pieces of her life to come together again, Dana decided to try selling on the Internet. To build her inventory, she offered to clean and organize family member's homes; in exchange, she got to keep the buried treasures – dishes, paintings, shoes, bags, toys, cameras.

Dana considered posting on Craigslist but was deterred by the anonymity of both buyers and sellers. eBay allows her to see other sellers' ratings and build a reputation. This not only feels safer, but also allows her to charge more for her goods.

How can we create "new to me" exchanges by finding new value in old goods? How might we establish trust among actors who may never see each other?

The Kula trade

In Melanesia, the Kula trade has been creating value for centuries. People travel hundreds of miles across the open ocean in handmade boats to exchange shells and tell their stories. By risking their lives to transport these precious objects, traders build their reputations. The urge to exchange goods and stories is a deep human desire. It can be seen in cultures around the world.

Burning man

In late August, Peter joins approximately 50,000 "Burners" for a week in the Nevada desert. He braves the dust, heat, and traffic to take part in Burning Man—a counter-cultural festival based on "gifting" and "decommodification." With nothing to buy or sell and no sponsorships, the festival experience is all about exchange. "Before and after, we're all consumers, but during Burning Man," Peter explains, "we're fellow citizens, living life as we want to, sharing with other people."

Global T-shirts

The first T-shirt on the rack in a small boutique in Seoul's Insadong district reads, "I took the Pepsi Challenge." It's one piece in a small selection of American vintage clothing. The shop owner recognizes that in Korean culture there are some forms of value you can't manufacture. In this new context, used T-shirts take on meaning and no less than 40,000 won of value. Reduced production is only a side benefit.



PATTERNS are a collection of shared thoughts, insights, and observations gathered through our work and the world around us. We invite you to join the conversation, so we can raise the bar and develop richer design thinking experiences collectively.

Be a pattern spotter: Now that you've been exposed to a few different examples, don't be surprised if you start seeing *Life's Changes* patterns all around. Keep your eyes open and let us know what you find, especially if it's the next new pattern.

Guest authors: Tatyana Mamut, Ashlea Powell. **Contributors:** Annie Valdes, Leslie Witt, Martin Schnitzer, Suzanne Gibbs Howard.

Contact: Get in touch with us for all that is pattern related at patterns@ideo.com or visit us at <http://patterns.ideo.com>.