Status as a Service (StaaS) — Remains of the Day

by Eugene Wei

108-138 minutes

Editor's Note 1: I have no editor.

Editor's Note 2: I would like to assure new subscribers to this blog that most my posts are not as long as this one. Or as long as my previous one. My long break from posting here means that this piece is a collection of what would've normally been a series of shorter posts. I put section titles below, so skip any that don't interest you. My short takes are on Twitter. All that said, I apologize for nothing.

Editor's Note 3: I lied, I apologize for one thing, and that is my long writing hiatus. Without a work computer, I had to resort to using my 7 year old 13" Macbook Pro as my main computer, and sometime last year my carpal tunnel syndrome returned with a vengeance and left my wrists debilitated with pain. I believe all of you who say your main computer is a laptop or, shudder, an iPad, but goodness gracious I cannot type on a compact keyboard for long periods of time without having my hands turn into useless stumps. It was only the return to typing almost exclusively on my old friend the Kinesis Advantage 2 ergo keyboard that put me back in the game.

Editor's Note 4: I was recently on Patrick O'Shaughnessy's podcast Invest Like the Best, and near the end of that discussion, I mentioned a new essay I'd been working on about the similarities between social networks and ICO's. This is that piece.

Status-Seeking Monkeys

"It is a truth universally acknowledged, that a person in possession of little fortune, must be in want of more social capital."

So wrote Jane Austen, or she would have, I think, if she were chronicling our current age (instead we have Taylor Lorenz, and thank goodness for that).

Let's begin with two principles:

- People are status-seeking monkeys*
- People seek out the most efficient path to maximizing social capital

* Status-Seeking Monkeys will also be the name of my indie band, if I ever learn to play the guitar and start a band

I begin with these two observations of human nature because few would dispute them, yet I seldom see social networks, some of the largest and fastest-growing companies in the history of the world, analyzed on the dimension of status or social capital.

It's in part a measurement issue. Numbers lend an air of legitimacy and credibility. We have longstanding ways to denominate and measure financial capital and its flows. Entire websites, sections of newspapers, and a ton of institutions report with precision on the prices and movements of money.

We have no such methods for measuring the values and movement of social capital, at least not with anywhere near the accuracy or precision. The body of research feels both broad and yet meager. If we had better measures besides user counts, this piece and many others would be full of charts and graphs that added a sense of intellectual heft to the analysis. There would be some annual presentation called the State of Social akin to Meeker's Internet Trends Report, or perhaps it would be a fifty page sub-section of her annual report.

Despite this, most of the social media networks we study generate much more social capital than actual financial capital, especially in their early stages; almost all such companies have internalized one of the popular truisms of Silicon Valley, that in the early days, companies should postpone revenue generation in favor of rapid network scaling. Social capital has much to say about why social networks lose heat, stall out, and sometimes disappear altogether. And, while we may not be able to quantify social capital, as highly attuned social creatures, we can feel it.

Social capital is, in many ways, a leading indicator of financial capital, and so its nature bears greater scrutiny. Not only is it good investment or business practice, but analyzing social capital dynamics can help to explain all sorts of online behavior that would otherwise seem irrational.

In the past few years, much progress has been made analyzing Software as a Service (SaaS) businesses. Not as much has been made on social networks. Analysis of social networks still strikes me as being like economic growth theory long before Paul Romer's paper on endogenous technological change. However, we can start to demystify social networks if we also think of them as SaaS businesses, but instead of software, they provide status. This post is a deep dive into what I refer to as **Status as a Service (StaaS)** businesses.

Think of this essay as a series of strongly held hypotheses; without access to the types of data which i'm not even sure exists, it's difficult to be definitive. As ever, my wise readers will add or push back as they always do.

Traditional Network Effects Model of Social Networks

One of the fundamental lessons of successful social networks is that they must first appeal to people when they have few users. Typically this is done through some form of single-user utility.

This is the classic cold start problem of social. The answer to the traditional chicken-and-egg question is actually answerable: what comes first is a single chicken, and then another chicken, and then another chicken, and so on. The harder version of the question is why the first chicken came and stayed when no other chickens were around, and why the others followed.

The second fundamental lessons is that social networks must have strong network effects so that as more and more users come aboard, the network enters a positive flywheel of growth, a compounding value from positive network effects that leads to hockey stick growth that puts dollar signs in the eyes of investors and employees alike. "Come for the tool, stay for the network" wrote Chris Dixon, in perhaps the most memorable maxim for how this works.

Even before social networks, we had Metcalfe's Law on telecommunications networks:

The value of a telecommunications network is proportional to the square of the number of connected users of the system (n^2)

This ported over to social networks cleanly. It is intuitive, and it includes that tantalizing math formula that explains why growth curves for social networks bends up sharply at the ankle of the classic growth S-curve.

But dig deeper and many many questions remain. Why do some large social networks suddenly fade away, or lose out to new tiny networks? Why do some new social networks with great single-player tools fail to transform into networks, while others with seemingly frivolous purposes make the leap? Why do some networks sometimes lose value when they add more users? What determines why different networks stall out at different user base sizes? Why do some networks cross international borders easily while others stay locked within specific countries? Why, if Metcalfe's Law holds, do many of Facebook's clones of other social network features fail, while some succeed, like Instagram Stories?

What ties many of these explanations together is social capital theory, and how we analyze social networks should include a study of a social network's accumulation of social capital assets and the nature and structure of its status games. In other words, how do such companies capitalize, either consciously or not, on the fact that people are status-seeking monkeys, always trying to seek more of it in the most efficient way possible?

To paraphrase Nicki Minaj, “If I'm fake I ain't notice cause my followers ain't.”

[Editor’s note: sometimes the followers actually are fake.]

Utility vs. Social Capital Framework

Classic network effects theory still holds, I’m not discarding it. Instead, let's append some social capital theory. Together, those form the two axes on which I like to analyze social network health.

Actually, I tend to use three axes to dissect social networks.

The three axes on which I evaluate social network strength

For this post, though, I'm only going to look at two of them, utility and social capital, as the entertainment axis adds a whole lot of complexity which I'll perhaps explain another time.

The basic two axis framework guiding much of the social network analysis in this piece

Utility doesn't require much explanation, though we often use the term very loosely and categorize too many things as utility when they aren't that useful (we generally confuse circuses for bread and not the reverse; Fox News, for example, is more entertainment than utility, as is common of many news outlets). A social network like Facebook allows me to reach lots of people I would otherwise have a harder time tracking down, and that is useful. A messaging app like WhatsApp allows me to communicate with people all over the world without paying texting or incremental data fees, which is useful. Quora and Reddit and Discord and most every social network offer some forms of utility.

The other axis is, for a lack of a more precise term, the social capital axis, or the status axis. Can I use the social network to accumulate social capital? What forms? How is it measured? And how do I earn that status?

There are several different paths to success for social networks, but those which compete on the social capital axis are often more mysterious than pure utilities. Competition on raw utility tends to be Darwinian, ruthless, and highly legible. This is the world, for example, of communication services like messaging and video conferencing. Investing in this space also tends to be a bit more straightforward: how useful is your app or service, can you get distribution, etc. When investors send me decks on things in this category, I am happy to offer an opinion, but I enjoy puzzling over the world of artificial prestige even more.

The creation of a successful status game is so mysterious that it often smacks of alchemy. For that reason, entrepreneurs who succeed in this space are thought of us a sort of shaman, perhaps because most investors are middle-aged white men who are already so high status they haven't the first idea why people would seek virtual status (more on that later).

With the rise of Instagram, with its focus on photos and filters, and Snapchat, with its ephemeral messaging, and Vine, with its 6-second video limit, for a while there was a thought that new social networks would be built on some new modality of communications. That's a piece of it, but it's not the complete picture, and not for the reasons many people think, which is why we have seen a whole bunch of strange failed experiments in just about every odd combinations of features and filters and artificial constraints in how we communicate with each other through our phones. Remember Facebook's Snapchat competitor Slingshot, in which you had to unlock any messages you received by responding with a message? It felt like product design by mad libs.

When modeling how successful social networks create a status game worth playing, a useful metaphor is one of the trendiest technologies: cryptocurrency.

Social Networks as ICO's

How is a new social network analogous to an ICO?

1. Each new social network issues a new form of social capital, a token.
2. You must show proof of work to earn the token.
3. Over time it becomes harder and harder to mine new tokens on each social network, creating built-in scarcity.
4. Many people, especially older folks, scoff at both social networks and cryptocurrencies.

["Why does anyone care what you ate for lunch?" is the canonical retort about any social network, though it’s fading with time. Both social networks and ICO's tend to drive skeptics crazy because they seem to manufacture value out of nothing. The shifting nature of scarcity will always leave a wake of skepticism and disbelief.]

Years ago, I stayed at the house of a friend whose high school daughter was home upstairs with a classmates. As we adults drank wine in the kitchen downstairs while waiting for dinner to finish in the oven, we heard lots of music and stomping and giggling coming from upstairs.

When we finally called them down for dinner, I asked them what all the ruckus had been. My friend's daughter proudly held up her phone to show me a recording they'd posted to an app called Musical.ly. It was a lip synch and dance routine replete with their own choreography. They'd rehearsed the piece more times than they could count. It showed. Their faces were shiny with sweat, and they were still breathing hard from the exertion. Proof of work indeed.

I spent the rest of the dinner scrolling through the app, fascinated, interviewing the girls about what they liked about the app, why they were on it, what share of their free time it had captured. I can't tell if parents are offended or glad when I spend much of the time visiting them interviewing their sons and daughters instead, but in the absence of good enough metrics with which to analyze this space, I subscribe to the Jane Goodall theory of how to study your subject. Besides, status games of adults are already well covered by the existing media, from literature to film. Children's status games, once familiar to us, begin to fade from our memory as time passes, and its modern forms have been drastically altered by social media.

Other examples abound. Perhaps you've read a long and thoughtful response by a random person on Quora or Reddit, or watched YouTube vloggers publishing night after night, or heard about popular Vine stars living in houses together, helping each other shoot and edit 6-second videos. While you can outsource Bitcoin mining to a computer, people still mine for social capital on social networks largely through their own blood, sweat, and tears.

[Aside: if you yourself are not an aspiring social network star, living with one is...not recommended.]

Perhaps, if you've spent time around today's youth, you've watched with a mixture of horror and fascination as a teen snaps dozens of selfies before publishing the most flattering one to Instagram, only to pull it down if it doesn't accumulate enough likes within the first hour. It’s another example of proof of work, or at least vigorous market research.

Almost every social network of note had an early signature proof of work hurdle. For Facebook it was posting some witty text-based status update. For Instagram, it was posting an interesting square photo. For Vine, an entertaining 6-second video. For Twitter, it was writing an amusing bit of text of 140 characters or fewer. Pinterest? Pinning a compelling photo. You can likely derive the proof of work for other networks like Quora and Reddit and Twitch and so on. Successful social networks don't pose trick questions at the start, it’s usually clear what they want from you.

[An aside about exogenous social capital: you might complain that your tweets are more interesting and grammatical than those of, say, Donald Trump (you're probably right!). Or that your photos are better composed and more interesting at a deep level of photographic craft than those of Kim Kardashian. The difference is, they bring a massive supply of exogenous pre-existing social capital from another status game, the fame game, to every table, and some forms of social capital transfer quite well across platforms. Generalized fame is one of them. More specific forms of fame or talent might not retain their value as easily: you might follow Paul Krugman on Twitter, for example, but not have any interest in his Instagram account. I don't know if he has one, but I probably wouldn't follow it if he did, sorry Paul, it’s nothing personal.]

If you've ever joined one of these social networks early enough, you know that, on a relative basis, getting ahead of others in terms of social capital (followers, likes, etc.) is easier in the early days. Some people who were featured on recommended follower lists in the early days of Twitter have follower counts in the 7-figures, just as early masters of Musical.ly and Vine were accumulated massive and compounding follower counts. The more people who follow you, the more followers you gain because of leaderboards and recommended follower algorithms and other such common discovery mechanisms.

It's true that as more people join a network, more social capital is up for grabs in the aggregate. However, in general, if you come to a social network later, unless you bring incredible exogenous social capital (Taylor Swift can join any social network on the planet and collect a massive following immediately), the competition for attention is going to be more intense than it was in the beginning. Everyone has more of an understanding of how the game works so the competition is stiffer.

Why Proof of Work Matters

Why does proof of work matter for a social network? If people want to maximize social capital, why not make that as easy as possible?

As with cryptocurrency, if it were so easy, it wouldn't be worth anything. Value is tied to scarcity, and scarcity on social networks derives from proof of work. Status isn't worth much if there's no skill and effort required to mine it. It's not that a social network that makes it easy for lots of users to perform well can't be a useful one, but competition for relative status still motivates humans. Recall our first tenet: humans are status-seeking monkeys. Status is a relative ladder. By definition, if everyone can achieve a certain type of status, it's no status at all, it's a participation trophy.

Musical.ly created a hurdle for gaining followers and status that wasn't easily cleared by many people. However, for some, especially teens, and especially girls, it was a status game at which they were particularly suited to win. And so they flocked there, because, according to my second tenet, people look for the most efficient ways to accumulate the most social capital.

Recall Twitter in the early days, when it was somewhat of a harmless but somewhat inert status update service. I went back to look at my first few tweets on the service from some 12 years ago and my first two, spaced about a year apart, were both about doing my taxes. Looking back at them, I bore even myself. Early Twitter consisted mostly of harmless but dull life status updates, a lot of “is this thing on?” tapping on the virtual microphone. I guess I am in the camp of not caring about what you had for lunch after all. Get off my lawn, err, phone screen!

What changed Twitter, for me, was the launch of Favstar and Favrd (both now defunct, ruthlessly murdered by Twitter), these global leaderboards that suddenly turned the service into a competition to compose the most globally popular tweets. Recall, the Twitter graph was not as dense then as it was now, nor did distribution accelerants like one-click retweeting and Moments exist yet.

What Favstar and Favrd did was surface really great tweets and rank them on a scoreboard, and that, to me, launched the performative revolution in Twitter. It added needed feedback to the feedback loop, birthing a new type of comedian, the master of the 140 character or less punchline (the internet has killed the joke, humor is all punchline now that the setup of the joke is assumed to be common knowledge thanks to Google).

The launch of these global tweet scoreboards reminds me of the moment in the now classic film** Battle Royale when Beat Takeshi Kitano informs a bunch of troublemaking school kids that they’ve been deported to an island are to fight to the death, last student standing wins, and that those who try to sneak out of designated battle zones will be killed by explosive collars. I'm not saying that Twitter is a life-or-death struggle, but you need only time travel back to pre-product-market-fit Twitter to see the vast difference in tone.

**Now classic because Battle Royale has subsequently been ripped off, err, paid tribute to by The Hunger Games, Fortnite, Maze Runner, and just about every YA franchise out there because who understands barbarous status games better than teenagers?

> Favstar.fm screenshot. Just seeing some of those old but familiar avatars makes me sentimental, perhaps like how early Burning Man devotees think back on its early years, before the moneyed class came in and ruined that utopia of drugs, nudity, and art.
>
> Chasing down old Favrd screenshots, I still laugh at the tweets surfaced.
>
> One more Favrd screenshot just for old time’s sake

It's critical that not everyone can quip with such skill. This gave Twitter its own proof of work, and over time the overall quality of tweets improved as that feedback loop spun and tightened. The strategies that gained the most likes were fed in increasing volume into people's timelines as everyone learned from and competed with each other.

Read Twitter today and hardly any of the tweets are the mundane life updates of its awkward pre-puberty years. We are now in late-stage performative Twitter, where nearly every tweet is hungry as hell for favorites and retweets, and everyone is a trained pundit or comedian. It's hot takes and cool proverbs all the way down. The harmless status update Twitter was a less thirsty scene but also not much of a business. Still, sometimes I miss the halcyon days when not every tweet was a thirst trap. I hate the new Kanye, the bad mood Kanye, the always rude Kanye, spaz in the news Kanye, I miss the sweet Kanye, chop up the beats Kanye.

Thirst for status is potential energy. It is the lifeblood of a Status as a Service business. To succeed at carving out unique space in the market, social networks offer their own unique form of status token, earned through some distinctive proof of work.

Conversely, let's look at something like Prisma, a photo filter app which tried to pivot to become a social network. Prisma surged in popularity upon launch by making it trivial to turn one of your photos into a fine art painting with one of its many neural-network-powered filters.

It worked well. Too well.

Since almost any photo could, with one-click, be turned into a gorgeous painting, no single photo really stands out. The star is the filter, not the user, and so it didn't really make sense to follow any one person over any other person. Without that element of skill, no framework for a status game or skill-based network existed. It was a utility that failed at becoming a Status as a Service business.

In contrast, while Instagram filters, in its earliest days, improved upon the somewhat limited quality of smartphone photos at the time, the quality of those photos still depended for the most part on the photographer. The composition, the selection of subject matter, these still derived from the photographer's craft, and no filter could elevate a poor photo into a masterpiece.

So, to answer an earlier question about how a new social network takes hold, let's add this: a new Status as a Service business must devise some proof of work that depends on some actual skill to differentiate among users. If it does, then it creates, like an ICO, some new form of social capital currency of value to those users.

This is not the only way a social network can achieve success. As noted before, you can build a network based around utility or entertainment. However, the addition of status helps us to explain why some networks which seemingly offer little in the way of meaningful utility (is a service that forces you to make only a six second video useful?) still achieve traction.

Facebook's Original Proof of Work

You might wonder, how did Facebook differentiate itself from MySpace? It started out as mostly a bunch of text status updates, nothing necessarily that innovative.

In fact, Facebook launched with one of the most famous proof of work hurdles in the world: you had to be a student at Harvard. By requiring a harvard.edu email address, Facebook drafted off of one of the most elite cultural filters in the world. It's hard to think of many more powerful slingshots of elitism.

By rolling out, first to Ivy League schools, then to colleges in general, Facebook scaled while maintaining a narrow age dispersion and exclusivity based around educational credentials.

Layer that on top of the broader social status game of stalking attractive members of the other sex that animates much of college life and Facebook was a service that tapped into reserves of some of the most heated social capital competitions in the world.

Social Capital ROI

If a person posts something interesting to a platform, how quickly do they gain likes and comments and reactions and followers? The second tenet is that people seek out the most efficient path to maximize their social capital. To do so, they must have a sense for how different strategies vary in effectiveness. Most humans seem to excel at this.

Young people, with their much higher usage rate on social media, are the most sensitive and attuned demographic to the payback period and ROI on their social media labor. So, for example, young people tend not to like Twitter but do enjoy Instagram.

It's not that Twitter doesn't dole out the occasional viral supernova; every so often someone composes a tweet that goes over 1K and then 10K likes or retweets (Twitter should allow people to buy a framed print of said tweet with a silver or gold 1K club or 10K club designation to supplement its monetization). But it’s not common, and most tweets are barely seen by anyone at all. Pair that with the fact that young people's bias towards and skill advantage in visual mediums over textual ones and it's not surprising Instagram is their social battleground of preference (video games might be the most lucrative battleground for the young if you broaden your definition of social networks, and that's entirely reasonable, though that arena skews male).

Instagram, despite not having any official reshare option, allows near unlimited hashtag spamming, and that allows for more deterministic, self-generated distribution. Twitter also isn't as great for spreading visual memes because of its stubborn attachment to cropping photos to maintain a certain level of tweet density per phone screen.

The gradient of your network's social capital ROI can often govern your market share among different demographics. Young girls flocked to Musical.ly in its early days because they were uniquely good at the lip synch dance routine videos that were its bread and butter. In this age of neverending notifications, heavy social media users are hyper aware of differing status ROI among the apps they use.

I can still remember posting the same photos to Flickr and Instagram for a while and seeing how quickly the latter passed the former in feedback. If I were an investor or even an employee, I might have something like a representative basket of content that I'd post from various test accounts on different social media networks just to track social capital interest rates and liquidity among the various services.

Some features can increase the reach of content on any network. A reshare option like the retweet button is a massive accelerant of virality on apps where the social graph determines what makes it into the feed. In an effort to increase engagement, Twitter has, over the years, become more and more aggressive to increase the liquidity of tweets. It now displays tweets that were liked by people you follow, even if they didn't retweet them, and it has populated its search tab with Moments, which, like Instagram's Discover Tab, guesses at other content you might like and provides an endless scroll filled with it.

TikTok is an interesting new player in social media because its default feed, For You, relies on a machine learning algorithm to determine what each user sees; the feed of content from by creators you follow, in contrast, is hidden one pane over. If you are new to TikTok and have just uploaded a great video, the selection algorithm promises to distribute your post much more quickly than if you were on sharing it on a network that relies on the size of your following, which most people have to build up over a long period of time. Conversely, if you come up with one great video but the rest of your work is mediocre, you can't count on continued distribution on TikTok since your followers live mostly in a feed driven by the TikTok algorithm, not their follow graph.

The result is a feedback loop that is much more tightly wound that that of other social networks, both in the positive and negative direction. Theoretically, if the algorithm is accurate, the content in your feed should correlate most closely to quality of the work and its alignment with your personal interests rather than the drawing from the work of accounts you follow. At a time when Bytedance is spending tens (hundreds?) of millions of marketing dollars in a bid to acquire users in international markets, the rapid ROI on new creators' work is a helpful quality in ensuring they stick around.

This development is interesting for another reason: graph-based social capital allocation mechanisms can suffer from runaway winner-take-all effects. In essence, some networks reward those who gain a lot of followers early on with so much added exposure that they continue to gain more followers than other users, regardless of whether they've earned it through the quality of their posts. One hypothesis on why social networks tend to lose heat at scale is that this type of old money can't be cleared out, and new money loses the incentive to play the game.

One of the striking things about Silicon Valley as a region versus East Coast power corridors like Manhattan is its dearth of old money. There are exceptions, but most of the fortunes in the Bay Area are not just new money but freshly minted new money from this current generation of tech. You have some old VC or semiconductor industry fortunes, but most of those people are still alive.

It's in NYC that you run into multi-generational old money hanging around on the Upper East or West sides of Manhattan, or encounter old wealth being showered around town by young socialites whose source of wealth is simply a fortuitous last name. Trickle down economics works, but often just down the veins of family trees.

It's not that the existence of old money or old social capital dooms a social network to inevitable stagnation, but a social network should continue to prioritize distribution for the best content, whatever the definition of quality, regardless of the vintage of user producing it. Otherwise a form of social capital inequality sets in, and in the virtual world, where exit costs are much lower than in the real world, new users can easily leave for a new network where their work is more properly rewarded and where status mobility is higher.

It may be that Silicon Valley never comes to be dominated by old money, and I'd consider that a net positive for the region. I'd rather the most productive new work be rewarded consistently by the marketplace than a bunch of stagnant quasi-monopolies hang on to wealth as they reach bloated scales that aren't conducive to innovation. The same applies to social networks and multi-player video games. As a newbie, how quickly, if you put in the work, are you "in the game"? Proof of work should define its own meritocracy.

The same way many social networks track keystone metrics like time to X followers, they should track the ROI on posts for new users. It's likely a leading metric that governs retention or churn. It’s useful as an investor, or even as a curious onlooker to test a social networks by posting varied content from test accounts to gauge the efficiency and fairness of the distribution algorithm.

Whatever the mechanisms, social networks must devote a lot of resources to market making between content and the right audience for that content so that users feel sufficient return on their work. Distribution is king, even when, or especially when it allocates social capital.

Why copying proof of work is lousy strategy for status-driven networks

We often see a new social network copy a successful incumbent but with a minor twist thrown in. In the wake of Facebook's recent issues, we may see some privacy-first social networks, but we have an endless supply of actual knockoffs to study. App.net and then Mastodon were two prominent Twitter clones that promised some differentiation but which built themselves on the same general open messaging framework.

Most of these near clones have and will fail. The reason that matching the basic proof of work hurdle of an Status as a Service incumbent fails is that it generally duplicates the status game that already exists. By definition, if the proof of work is the same, you're not really creating a new status ladder game, and so there isn't a real compelling reason to switch when the new network really has no one in it.

This isn't to say you can't copy an existing proof of work and succeed. After all, Facebook replaced social networks like MySpace and Friendster that came before it, and in the real world, new money sometimes becomes the new old money. You can build a better status game or create a more valuable form of status. Usually when such displacement occurs, though, it does so along the other dimension of pure utility.

For example, we have multiple messaging apps that became viable companies just by capturing a particular geographic market through localized network effects. We don't have one messaging app to rule them all in the world, but instead a bunch that have won in particular geographies. After all, the best messaging app in most countries or continents is the one most other people are already using there.

But in the same market? Copying a proof of work there is a tough road. The first mover advantage is also such that the leader with the dominant graph and the social capital of most value can look at any new features that fast followers launch and pull a reverse copy, grafting them into their more extensive and dominant incumbent graph.

In China, Tencent is desperate to cool off Bytedance's momentum in the short video space; Douyin is enemy number one. Tencent launched a clone but added a feature which allowed viewers to record a side-by-side video reaction in response to any video. It took about half a second for Bytedance to incorporate that into Douyin, and now it's a popular feature in TikTok the world over. If you can't change the proof of work competition as a challenger, copy and throttle is an effective strategy for the incumbent.

Not to mention that a wholesale ripoff of another app tends to be frowned upon as poor form. Even in China, with its reputation as the land of loose IP protection, users will tend to post dismissive reviews of blatant copycat apps in app stores. Chinese users may not be as aware of American apps that are knocked off in China, but within China, users don't just jump ship to out-and-out copycat apps. There has to be an incentive to overcome the switching costs, and that applies in China as it does elsewhere.

A few specifics of note here. I once wrote about social networks that the network's the thing; that is, the composition of the graph once a social network reaches scale is its most unique quality. I would update that today to say that it's the unique combination of a feature and a specific graph that is any network's most critical competitive advantage. Copying some network's feature often isn't sufficient if you can't also copy its graph, but if you can apply the feature to some unique graph that you earned some other way, it can be a defensible advantage.

Nothing illustrates this better than Facebook's attempts to win back the young from Snapchat by copying some of the network's ephemeral messaging features, or Facebook's attempt to copy TikTok with Lasso, or, well Facebook's attempt to duplicate just about every social app with any traction anywhere. The problem with copying Snapchat is that, well, the reason young people left Facebook for Snapchat was in large part because their parents had invaded Facebook. You don't leave a party with your classmates to go back to one your parents are throwing just because your dad brings in a keg and offer to play beer pong.

The pairing of Facebook's gigantic graph with just about almost any proof of work from another app changes the very nature of that status game, sometimes in undesirable ways. Do you really want your coworkers and business colleagues and family and friends watching you lip synch to "It's Getting Hot in Here" by Nelly on Lasso? Facebook was rumored to be contemplating a special memes tab to try to woo back the young, which, again, completely misunderstands how the young play the meme status game. At last check that plan had been shelved.

Of course, the canonical Facebook feature grab that pundits often cite as having worked is Instagram's copy of Snapchat's Stories format. As I've written before, I think the Stories format is a genuine innovation on the social modesty problem of social networks. That is, all but the most egregious showoffs feel squeamish about publishing too much to their followers. Stories, by putting the onus on the viewer to pull that content, allows everyone to publish away guilt-free, without regard for the craft that regular posts demand in the ever escalating game that is life publishing. In a world where algorithmic feeds break up your sequence of posts, Stories also allow gifted creators to create sequential narratives.

Thus Stories is inherently about lowering the publishing hurdle for users and about a new method of storytelling, and any multi-sided network seeing declining growth will try grafting it on their own network at some point just to see if it solves supply-side social modesty.

Ironically, as services add more and more filters and capabilities into their story functionality, we see the proof of work game in Stories escalating. Many of the Instagram Stories today are more elaborate and time-consuming to publish than regular posts; the variety of filters and stickers and GIFs and other tools in the Stories composer dwarfs the limited filters available for regular Instagram posts. What began as a lighter weight posting format is now a more sophisticated and complex one.

You can take the monkey out of the status-seeking game, but you can't take the status-seeking out of the monkey.

The Greatest Social Capital Creation Event in Tech History

In the annals of tech, and perhaps the world, the event that created the greatest social capital boom in history was the launch of Facebook's News Feed.

Before News Feed, if you were on, say MySpace, or even on a Facebook before News Feed launched, you had to browse around to find all the activity in your network. Only a demographic of a particular age will recall having to click from one profile to another on MySpace while stalking one's friends. It almost seems comical in hindsight, that we'd impose such a heavy UI burden on social media users. Can you imagine if, to see all the new photos posted in your Instagram network, you had to click through each profile one by one to see if they'd posted any new photos? I feel like my parents talking about how they had to walk miles to grade school through winter snow wearing moccasins of tree bark when I complain about the undue burden of social media browsing before the News Feed, but it truly was a monumental pain in the ass.

By merging all updates from all the accounts you followed into a single continuous surface and having that serve as the default screen, Facebook News Feed simultaneously increased the efficiency of distribution of new posts and pitted all such posts against each other in what was effectively a single giant attention arena, complete with live updating scoreboards on each post. It was as if the panopticon inverted itself overnight, as if a giant spotlight turned on and suddenly all of us performing on Facebook for approval realized we were all in the same auditorium, on one large, connected infinite stage, singing karaoke to the same audience at the same time.

It's difficult to overstate what a momentous sea change it was for hundreds of millions, and eventually billions, of humans who had grown up competing for status in small tribes, to suddenly be dropped into a talent show competing against EVERY PERSON THEY HAD EVER MET.

Predictably, everything exploded. The number of posts increased. The engagement with said posts increased. This is the scene in a movie in which, having launched something, a bunch of people stand in a large open war room waiting, and suddenly a geek staring at a computer goes wide-eyed, exclaiming, "Oh my god." And then the senior ranking officer in the room (probably played by a scowling Ed Harris or Kyle Chandler) walks over to look at the screen, where some visible counter is incrementing so rapidly that the absolute number of digits starts is incrementing in real time as you look at it, because films have to make a plot development like this brain dead obvious to the audience. And then the room erupts in cheers while different people hug and clap each others on the back, and one random extra sprints across the screen in the background, shaking a bottle of champagne that explodes and ejaculates a stream of frothy bubbly through the air like some capitalist money shot that inspires, later, a 2,000 word essay from Žižek.

Of course, users complained about News Feed at first, but their behavior belied their words, something that would come to haunt Facebook later when it took it as proof that users would always just cry wolf and that similar changes in the future would be the right move regardless of public objections.

Back in those more halcyon times, though, News Feed unleashed a gold rush for social capital accumulation. Wow, that post over there has ten times the likes that my latest does! Okay, what can I learn from it to use in my next post? Which of my content is driving the most likes? We talk about the miracles of machine learning in the modern age, but as social creatures, humans are no less remarkable in their ability to decipher and internalize what plays well to the peanut gallery.

Stories of teens A/B testing Instagram posts, yanking those which don't earn enough likes in the first hour, are almost beyond satire; a show like Black Mirror often just resorts to episodes that show things that have already happened in reality. The key component of the 10,000 hour rule of expertise is the idea of deliberate practice, the type that provides immediate feedback. Social media may not be literally real-time in its feedback, but it's close enough, and the scope of reach is magnitudes of order beyond that of any social performance arena in history. We have a generation now that has been trained through hundreds of thousands, perhaps millions of social media reps on what engages people on which platforms. In our own way, we are all Buzzfeed. We are all Kardashians.

The tighter the feedback loop, the quicker the adaptation. Compare early Twitter to modern Twitter; it's like going from listening to your coworkers at a karaoke bar to watching Beyonce play Coachella. I wrote once that any Twitter account that gained enough followers would end up sounding like a fortune cookie, but I underestimated how quickly everyone would arrive at that end state.

As people start following more and more accounts on a social network, they reach a point where the number of candidate stories exceeds their capacity to see them all. Even before that point, the sheer signal-to-noise ratio may decline to the point that it affects engagement. Almost any network that hits this inflection point turns to the same solution: an algorithmic feed.

Remember, status derives value from some type of scarcity. What is the one fundamental scarcity in the age of abundance? User attention. The launch of an algorithmic feed raises the stakes of the social media game. Even if someone follows you, they might no longer see every one of your posts. As DiCaprio said in Django Unchained, “You had my curiosity, but now, under the algorithmic feed, you have to earn my attention.”

As humans, we intuitively understand that some galling percentage of our happiness with our own status is relative. What matters is less our absolute status than how are we doing compared to those around us. By taking the scope of our status competitions virtual, we scaled them up in a way that we weren't entirely prepared for. Is it any surprise that seeing other people signaling so hard about how wonderful their lives are decreases our happiness?

As evidence of how anomalous a change this has been for humanity, witness how many celebrities continue to be caught with a history of offensive social media posts that should obviously have been taken down long ago given shifting sensibilities? Kevin Hart, baseball players like Josh Hader, Trea Turner, and Sean Newcomb, and a litany of other public figures and their management teams didn't think to go back and scrub some of their earlier social media posts despite nothing but downside optionality.

Could social networks have chosen to keep likes and other such metrics about posts private, visible only to the recipient? Could we have kept this social capital arms race from escalating? Some tech CEO's now look back and, like Alan Greenspan, bemoan the irrational exuberance that led us to where we are now, but let's be honest, the incentives to lower interest rates on social capital in all these networks, given their goals and those of their investors, were just too great. If one company hadn’t flooded the market with status, others would have filled the void many times over.

A social network like Path attempted to limit your social graph size to the Dunbar number, capping your social capital accumulation potential and capping the distribution of your posts. The exchange, they hoped, was some greater transparency, more genuine self-expression. The anti-Facebook. Unfortunately, as social capital theory might predict, Path did indeed succeed in becoming the anti-Facebook: a network without enough users. Some businesses work best at scale, and if you believe that people want to accumulate social capital as efficiently as possible, putting a bound on how much they can earn is a challenging business model, as dark as that may be.

Why Social Capital Accumulation Skews Young

I'd love to see a graph of social capital assets under management by user demographic. I'd wager that we'd see that young people, especially those from their teens, when kids seem to be given their first cell phones, through early 20's, are those who dominate the game. My nephew can post a photo of his elbow on Instagram and accumulate a couple hundred likes; I could share a photo of myself in a conga line with Barack Obama and Beyonce while Jennifer Lawrence sits on my shoulders pouring Cristal over my head and still only muster a fraction of the likes my nephew does posting a photo of his elbow. It's a young person's game, and the Livejournal/Blogger/Flickr/Friendster/MySpace era in which I came of age feels like the precambrian era of social in comparison.

While we're all status-seeking monkeys, young people tend to be the tip of the spear when it comes to catapulting new Status as a Service businesses, and may always will be. A brief aside here on why this tends to hold.

One is that older people tend to have built up more stores of social capital. A job title, a spouse, maybe children, often a house or some piece of real estate, maybe a car, furniture that doesn't require you to assemble it on your own, a curriculum vitae, one or more college degrees, and so on.

[This differs by culture, of course. In the U.S., where I grew up, one’s job is the single most important status carrier which is why so many conversations there begin with “What do you do?”]

Young people are generally social capital poor unless they've lucked into a fat inheritance. They have no job title, they may not have finished college, they own few assets like homes and cars, and often if they've finished college they're saddled with substantial school debt. For them, the fastest and most efficient path to gaining social capital, while they wait to level up enough to win at more grown-up games like office politics, is to ply their trade on social media (or video games, but that's a topic for another day).

Secondly, because of their previously accumulated social capital, adults tend to have more efficient means of accumulating even more status than playing around online. Maintenance of existing social capital stores is often a more efficient use of time than fighting to earn more on a new social network given the ease of just earning interest on your sizeable status reserves. That's just math, especially once you factor in loss aversion.

Young people look at so many of the status games of older folks—what brand of car is parked in your garage, what neighborhood can you afford to live in, how many levels below CEO are you in your org—and then look at apps like Vine and Musical.ly, and they choose the only real viable and thus optimal path before them. Remember the second tenet: people maximize their social capital the most efficient way possible. Both the young and old pursue optimal strategies.

That so much social capital for the young comes in the form of followers, likes, and comments from peers and strangers shouldn't lessen its value. Think back to your teen years and try to recall any real social capital that you could accumulate on such a scale. In your youth, the approval of peers and others in your demographic tend to matter more than just about anything, and social media has extended the reach of the youth status game in just about every direction possible.

Furthermore, old people tend to be hesitant about mastering new skills in general, including new status games, especially if they involve bewildering new technology. There are many reasons, including having to worry about raising children and other such adult responsibilities and just plain old decay in neural malleability. Perhaps old dogs don't learn new tricks because they are closer to death, and the period to earn a positive return on that investment is shorter. At some point, it's not worth learning any new tricks at all, and we all turn into the brusque old lady in every TV show, e.g. Maggie Smith in Downton Abbey, dropping withering quips about the follies of humanity all about us. I look forward to this period of my life when, through the unavoidable spectre of mortality, I will naturally settle into my DGAF phase of courageous truth-telling.

Lastly, young people have a surplus of something which most adults always complain they have too little of: time. The hurdle rate on the time of the young is low, and so they can afford to spend some of that surplus exploring new social networks, mining them to see if the social capital returns are attractive, whereas most adults can afford to wait until a network has runaway product-market fit to jump in. The young respond to all the status games of the world with a consistent refrain: "If you are looking for ransom I can tell you I don't have money, but what I do have are a very particular set of skills. Among those are the dexterity and coordination to lip synch to songs while dancing Blocboy JB's Shoot in my bedroom, and the time to do it over and over again until I nail it" (I wrote this long before recent events in which Liam Neeson lit much of his social capital on fire, vacating the "wronged and vengeful father with incredible combat and firearms skills" role to the next aging male star).

These modern forms of social capital are like new money. Not surprisingly, then, older folks, who are worse at accumulating these new badges than the young, often scoff at those kids wasting time on those apps, just as old money from the Upper West and Upper East Sides of New York look down their noses at those hoodie-wearing new money billionaire philistines of Silicon Valley.

The exception might be those who grew up in this first golden age of social media. For some of this generation's younger NBA players, who were on Instagram from the time they got their first phone, posting may be second nature, a force of habit they bring with them into the league. Witness how many young NBA stars track their own appearances on House of Highlights the way stars of old hoped looked for themselves on Sportscenter.

If this generational divide on social media between the old and the young was simply a one-time anomaly given the recent birth of social networks, and if future generations will be virtual status-seeking experts for womb to tomb, then capturing users in their formative social media years becomes even more critical for social networks.

“I contain multitudes” (said the youngblood)

Incidentally, teens and twenty-somethings, more so than the middle-aged and elderly, tend to juggle more identities. In middle and high school, kids have to maintain an identity among classmates at school, then another identity at home with family. Twenty-somethings craft one identity among coworkers during the day, then another among their friends outside of work. Often those spheres have differing status games, and there is some penalty to merging those identities. Anyone who has ever sent a text meant for their schoolmates to their parents, or emailed a boss or coworker something meant for their happy hour crew knows the treacherous nature of context collapse.

Add to that this younger generation's preference for and facility with visual communication and it's clearly why the preferred social network of the young is Instagram and the preferred messenger Snapchat, both preferable to Facebook. Instagram because of the ease of creating multiple accounts to match one's portfolio of identities, Snapchat for its best in class ease of visual messaging privately to particular recipients. The expiration of content, whether explicitly executed on Instagram (you can easily kill off a meme account after you've outgrown it, for example), or automatically handled on a service like Snapchat, is a must-have feature for those for whom multiple identity management is a fact of life.

Facebook, with its explicit attachment to the real world graph and its enforcement of a single public identity, is just a poor structural fit for the more complex social capital requirements of the young.

Common Social Network Arcs

It's useful to look at some of the common paths that social networks traverse over time using our two axis model. Not all of them took the same paths to prominence. Doing so also helps illuminate the most productive strategies for each to pursue future growth.

First utility, then social capital

> Come for the tool, stay for the network

This is the well-known “come for the tool, stay for the network” path. Instagram is a good example here given its growth from filter-driven utility to social photo sharing behemoth. Today, I can't remember the last time I used an Instagram filter.

In the end, I think most social networks, if they've made this journey, need to make a return to utility to be truly durable. Commerce is just one area where Instagram can add more utility for its users.

First social capital, then utility

> Lots of the internet’s great resources were built off people seeking a hit of fame and recognition

Come for the fame, stay for the tool?

Foursquare was this for me. In the beginning, I checked in to try to win mayorships at random places. These days, Foursquare is trying to become more of a utility, with information on places around you, rather than just a quirky distributed social capital game. Heavier users may have thoughts on how successful that has been, but in just compiling a database of locations that other apps can build off of, they have built up a store of utility.

IMDb, Wikipedia, Reddit, and Quora are more prominent examples here. Users come for the status, and help to build a tool for the commons.

Utility, but no social capital

> Plenty of huge social apps are almost entirely utilitarian, but it's a brutally competitive quadrant

Some companies manage to create utility for a network but never succeed at building any real social capital of note (or don't even bother to try).

Most messaging apps fall into this category. They help me to reach people I already know, but they don't introduce me to too many new people, and they aren't really status games with likes and follows. Skype, Zoom, FaceTime, Google Hangouts, Viber, and Marco Polo are examples of video chat apps that fit this category as well. While some messaging apps are trying to add features like Stories that start to veer into the more performative realm of traditional social media, I'm skeptical they'll ever see traction doing so when compared to apps that are more pure Status as a Service apps like Instagram.

This bottom right quadrant is home to some businesses with over a billion users, but in minimizing social capital and competing purely on utility-derived network effects, this tends to be a brutally competitive battleground where even the slimmest moat is fought for with blood and sweat, especially in the digital world where useful features are trivial to copy.

Social capital, but little utility

> When a social network loses heat before it has built utility, the fall can come as quickly as the rise

One could argue Foursquare actually lands here, but the most interesting company to debate in this quadrant is clearly Facebook. I'm not arguing that Facebook doesn't have utility, because clearly it does in some obvious ways. In some markets, it is the internet. Messenger is clearly a useful messaging utility for a over a billion people.

However, the U.S. is a critical market for Facebook, especially when it comes to monetization, and so it's worth wondering how things might differ for Facebook today if it had succeeded in pushing further out on the utility axis. Many people I know have just dropped Facebook from their lives this past year with little impact on their day-to-day lives. Among the obvious and largest utility categories, like commerce or payments, Facebook isn't a top tier player in any except advertising.

This comparison is especially stark if we compare it to the social network to which it's most often contrasted.

Both social capital and utility simultaneously

The holy grail for social networks is to generate so much social capital and utility that it ends up in that desirable upper right quadrant of the 2x2 matrix. Most social networks will offer some mix of both, but none more so than WeChat.

While I hear of people abandoning Facebook and never looking back, I can't think of anyone in China who has just gone cold turkey on WeChat. It's testament to how much of an embedded utility WeChat has become that to delete it would be a massive inconvenience for most citizens.

Just look at the list of services in the WeChat or WePay or AliPay menu for the typical Chinese user and consider that Facebook isn't a payment option for any of them.

Of course, the competitive context matters. Facebook faced much stiffer competition in these categories than WeChat did; for Facebook to build a better mousetrap in any of these, the requirements were much higher than for WeChat.

Take payments for example. The Chinese largely skipped credit cards, for a whole host of reasons. In part it was due to a cultural aversion to debt, in part because Visa, Mastercard, and American Express weren't allowed into China where they would certainly have marketed their cards as aggressively as they always do. That meant Alipay and WePay launched competing primarily with cash and all its familiar inconveniences. Compare that to, say, Apple Pay trying to displace the habit of pulling out a credit card in the U.S., especially given how so many people are addicted to credit card points and miles (airline frequent flier programs being another testament to the power of status to influence people's decision-making).

Making a real dent in new categories like commerce and payments will require a long-term mindset and a ton of resources on the part of Facebook and its subsidiaries like WhatsApp and Instagram. Past efforts to, for example, improve Facebook search, position Facebook as payment option, and introduce virtual assistants on Messenger seem to have been abandoned. Will new efforts like Facebook's cryptocurrency effort or Instagram's push into commerce be given a sufficiently long leash?

Social Network Asymptote 1: Proof of Work

How do you tell when a Status as a Service business will stop growing? What causes networks to suddenly hit that dreaded upper shoulder in the S-curve if, according to Metcalfe's Law, the value of a network grows in proportion to the square of its users? What are the missing variables that explain why networks don't keep growing until they've captured everyone?

The reasons are numerous, let's focus on social capital theory. To return to our cryptocurrency analogy, the choice of your proof of work is by definition an asymptote because the skills it selects for are not evenly distributed.

To take a specific example, since it's the app du jour, let's look at the app formerly known as Musical.ly, TikTok.

You've probably watched a TikTok video, but have you tried to make one? My guess is that many of you have not and never will (but if you have, please send me a link). This is no judgment, I haven't either.

You may possess, in your estimation, too much self-dignity to wallow in cringe. Your arthritic joints may not be capable of executing Orange Justice. Whatever the reason, TikTok's creator community is ultimately capped by the nature of its proof of work, no matter how ingenious its creative tools. The same is true of Twitter: the number of people who enjoy crafting witty 140 and now 280-character info nuggets is finite. Every network has some ceiling on its ultimate number of contributors, and it is often a direct function of its proof of work.

Of course, the value and total user size of a network is not just a direct function of its contributor count. Whether you believe in the 1/9/90 rule of social networks or not, it's directionally true that any network has value to people besides its creators. In fact, for almost every network, the number of lurkers far exceeds the number of active participants. Life may not be a spectator sport, but a lot of social media is.

This isn't to say that proof of work is bad. In fact, coming up with a constraint that unlocks the creativity of so many people is exactly how Status as a Service businesses achieve product-market fit. Constraints force the type of compression that often begets artistic elegance, and forcing creatives to grapple with a constraint can foster the type of focused exertion that totally unconstrained exploration fails to inspire.

Still, a ceiling is a ceiling. If you want to know the terminal value of a network, the type of proof of work is a key variable to consider. If you want to know why Musical.ly stopped growing and sold to Bytedance, why Douyin will hit a ceiling of users in China (if it hasn't already), or what the cap of active users is for any social network, first ask yourself how many people have the skill and interest to compete in that arena.

Social Network Asymptote 2: Social Capital Inflation and Devaluation

More terrifying to investors and employees than an asymptote is collapse. Recall the cautionary myth of the fall of Myspace, named after the little known Greek god of vanity Myspakos (Editor's note: I made that up, it's actually Narcissus). Why do some social networks, given Metcalfe's Law and its related network effects theories, not only stop growing but even worse, contract and wither away?

To understand the inherent fragility in Status as a Service businesses, we need to understand the volatility of status.

Social Capital Interest Rate Hikes

One of the common traps is the winner's curse for social media. If a social network achieves enough success, it grows to a size that requires the imposition of an algorithmic feed in order to maintain high signal-to-noise for most of its users. It's akin to the Fed trying to manage inflation by raising interest rates.

The problem, of course, is that this now diminishes the distribution of any single post from any single user. One of the most controversial of such decisions was Facebook's change to dampen how much content from Pages would be distributed into the News Feed.

Many institutions, especially news outlets, had turned to Facebook to access some sweet sweet eyeball inventory in News Feeds. They devised all sorts of giveaways and promotions to entice people to follow their Facebook Pages. After gaining followers, a media company had a free license to publish and publish often into their News Feeds, an attractive proposition considering users were opening Facebook multiples times per day. For media companies, who were already struggling to grapple with all the chaos the internet had unleashed on their business models, this felt like upgrading from waving stories at passersby on the street to stapling stories to the inside of eyelids the world over, several times a day. Deterministic, guaranteed eyeballs.

Then, one day, Facebook snapped its fingers like Thanos and much of that dependable reach evaporated into ash. No longer would every one of your Page followers see every one of your posts. Facebook did what central banks do to combat inflation and raised interest rates on borrowing attention from the News Feed.

Was such a move inevitable? Not necessarily, but it was always likely. That's because there is one scarce resource which is a natural limit on every social network and media company today, and that is user attention. That a social network shares some of that attention with its partners will always be secondary to accumulating and retaining that attention in the first place. Facebook, for example, must always guard against the tragedy of the commons when it comes to News Feed. Saving media institutions is a secondary consideration, if that.

Social Capital Deflation: Scarcity Precarity or the Groucho Marx Conundrum

Another existential risk that is somewhat unique to social networks is this: network effects are powerful, but ones which are social in nature have the unfortunate quality of being just as ferocious in reverse.

In High Growth Handbook by Elad Gil, Marc Andreessen notes:

> I think network effects are great, but in a sense they're a little overrated. The problem with network effects is they unwind just as fast. And so they're great while they last, but when they reverse, they reverse viciously. Go ask the MySpace guys how their network effect is going. Network effects can create a very strong position, for obvious reasons. But in another sense, it's a very weak position to be in. Because if it cracks, you just unravel. I always worry when a company thinks the answer is just network effects. How durable are they?

Why do social network effects reverse? Utility, the other axis by which I judge social networks, tends to be uncapped in value. It's rare to describe a product or service as having become too useful. That is, it's hard to over-serve on utility. The more people that accept a form of payment, the more useful it is, like Visa or Mastercard or Alipay. People don't stop using a service because it's too useful.

Social network effects are different. If you've lived in New York City, you've likely seen, over and over, night clubs which are so hot for months suddenly go out of business just a short while later. Many types of social capital have qualities which render them fragile. Status relies on coordinated consensus to define the scarcity that determines its value. Consensus can shift in an instant. Recall the friend in Swingers, who, at every crowded LA party, quips, "This place is dead anyway." Or recall the wise words of noted sociologist Groucho Marx: "I don't care to belong to any club that will have me as a member."

The Groucho Marx effect doesn't take effect immediately. In the beginning, a status hierarchy requires lower status people to join so that the higher status people have a sense of just how far above the masses they reside. It's silly to order bottle service at Hakkasan in Las Vegas if no one is sitting on the opposite side of the velvet ropes; a leaderboard with just a single high score is meaningless.

However, there is some tipping point of popularity beyond which a restaurant, club, or social network can lose its cool. When Malcolm Gladwell inserted the term "tipping point" into popular vernacular, he didn't specify which way things were tipping. We tend to glamorize the tipping into rapid diffusion, the toe of the S-curve, but in status games like fashion the arc of popularity traces not an S-curve but a bell curve. At the top of that bell curve, you reach the less glamorous tipping point, the one before the plummet.

When the definition of status is distributed, often one minority has disproportionate sway. If that group, the cool kids, pulls the ripcord, everyone tends to follow them to the exits. In fact, it's usually the most high status or desirable people who leave first, the evaporative cooling effect of social networks. At that point, that product or service better have moved as far out as possible on the utility axis or the velocity of churn can cause a nose bleed.

[Mimetic desire is a cruel mistress. Girard would've had a field day with the Fyre Festival. Congratulations Billy McFarland, you are the ritual sacrifice with which we cleanse ourselves of the sin of coveting thy influencer's bounty.]

Fashion is one of the most interesting industries for having understood this recurring boom and bust pattern in network effects and taken ownership of its own status devaluation cycles. Some strange cabal of magazine editors and fashion designers decide each season to declare arbitrarily new styles the fashion of the moment, retiring previous recommendations before they grow stale. There is usually no real utility change at all; functionally, the shirt you buy this season doesn't do anything the shirt you bought last season still can't do equally well. The industry as a whole is simply pulling the frontier of scarcity forward like a wave we're all trying to surf.

This season, the color of the moment might be saffron. Why? Because someone cooler than me said so. Tech tends to prioritize growth at all costs given the non-rival, zero marginal cost qualities of digital information. In a world of abundance, that makes sense. However, technology still has much to learn from industries like fashion about how to proactively manage scarcity, which is important when goods are rivalrous. Since many types of status are relative, it is, by definition, rivalrous. There is some equivalent of crop rotation theory which applies to social networks, but it's not part of the standard tech playbook yet.

A variant of this type of status devaluation cascade can be triggered when a particular group joins up. This is because the stability of a status lattice depends just as much on the composition of the network as its total size. A canonical example in tech was the youth migration out of Facebook when their parents signed on in force. Because of the incredible efficiency of News Feed distribution, Facebook became a de facto surveillance apparatus for the young: Mommy and Daddy are watching, as well as future universities and employers and dates who will time travel back and scour your profile someday. As Facebook became less attractive as a platform for the young, many of them flocked to Snapchat as their new messaging solution, its ephemeral nature offering built-in security and its UX opacity acting as a gate against clueless seniors.

I've written before about Snapchat's famously opaque Easter Egg UI as a sort of tamper-proof lid for parents, but if we combine social network utility theory with my post on selfies as a second language, it's also clear that Snapchat is a suboptimal messaging platform for older people whose preferred medium of communication remains text. Snapchat opens to a camera. If you want to text someone, it's extra work to swipe to the left pane to reach the text messaging screen.

I would be shocked if Facebook did not, at one point, contemplate a version of its app that opened to the camera first, instead of the News Feed, considering how many odd clones of other apps it's considered in the past. If so, it's good they never shipped it, because for young people, publishing to a graph that still contained their parents would've still been prohibitive, while for old folks who aren't as biased towards visual mediums, such a UI would've been suboptimal. It would've been a disastrous lose-lose for Facebook.

Patrick Collison linked to an interesting paper (PDF) on network effects traps in the physical world. They exist in the virtual world as well, and Status as a Service businesses are particularly fraught with them. Another instance is path dependent user composition. A fervent early adopter group can define who a new social network seems to be for, merely by flooding the service with content they love. Before concerted efforts to personalize the front page more quickly, Pinterest seemed like a service targeted mostly towards women even though its basic toolset are useful to many men as well. Because a new user's front page usually drew upon pins from their friends already on the service, the earliest cohorts, which leaned female, dominated most new user's feeds. My earliest Pinterest homepage was an endless collage of makeup, women's clothing, and home decor because those happened to be some of the things my friends were pinning for a variety of projects.

Groucho Marx was ahead of his time as a social capital philosopher, but we can build upon his work. To his famous aphorism we should add some variants. When it comes to evaporative cooling, two come to mind: "I don't want to belong to any club that will have those people as a member" and "I don't want to belong to any club that those people don't want to be a member of."

Mitigating Social Capital Devaluation Risk, and the Snapchat Strategy

In a leaked memo late last year, Evan Spiegel wrote about how one of the core values of Snapchat is to make it the fastest way to communicate.

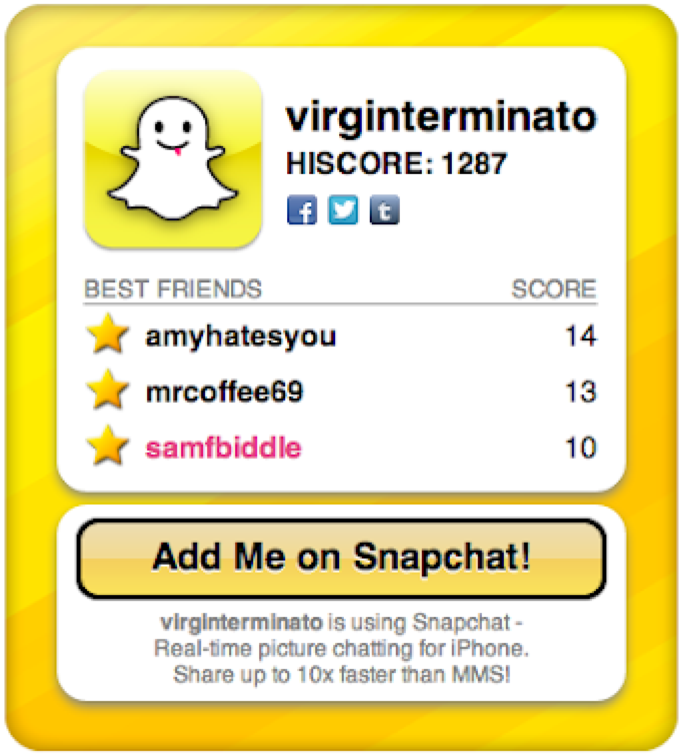
> The most durable way for us to grow is by relentlessly focusing on being the fastest way to communicate.
>
> Recently I had the opportunity to use Snapchat v5.0 on an iPhone 4. It had much of Bobby's original code in many of my original graphics. It was way faster than the current version of Snapchat running on my iPhone X.
>
> In our excitement to innovate and bring many new products into the world, we have lost the core of what made Snapchat the fastest way to communicate.
>
> In 2019, we will refocus our company on making Snapchat the fastest way to communicate so that we can unlock the core value of our service for the billions of people who have not yet learned how to use Snapchat. If we aren't able to unlock the core value of Snapchat, we won't ever be able to unlock the full power of our camera.
>
> This will require us to change the way that we work and put our core product value of being the fastest way to communicate at the forefront of everything we do at Snap. It might require us to change our products for different markets where some of our value-add features detract from our core product value.

This clarifies Snapchat's strategy on the 3 axes of my social media framework: Snapchat intends to push out further on the utility axis at the expense of the social capital axis which, as we've noted before, is volatile ground to build a long-term business on.

Many will say, especially Snapchat itself, that it has been the anti-Facebook all along. Because it has no likes, it liberates people from destructive status games. To believe that is to underestimate the ingenuity of humanity in its ability to weaponize any network for status games.

Anyone who has studied kids using Snapchat know that it's just as integral a part of high school status and FOMO wars as Facebook, and arguably more so now that those kids largely don't use Facebook. The only other social media app that is as sharp a stick is Instagram which has, it's true, more overt social capital accumulation mechanisms. Still, the idea that kids use Snapchat like some pure messaging utility is laughable and makes me wonder if people have forgotten what teenage school life was like. Whether you see people attend a party that you're not invited to on Instagram or on someone's Snap, you still feel terrible.

Remember Snapchat's original Best Friends list? I'm going to guess many of my readers don't, because, as noted earlier, old people probably didn't play that status game, if they'd even figured out how to use Snapchat by that point. This was just about as pure a status game feature as could be engineered for teens. Not only did it show the top three people you Snapped with most frequently, you could look at who the top three best friends were for any of your contacts. Essentially, it made the hierarchy of everyone's "friendships" public, making the popularity scoreboard explicit.



> I'm glad this didn't exist when I was in high school, I really didn't need metrics on how much of a loser I was

> You don't want to know what the proof of work is to achieve Super BFF-dom

As with aggregate follower counts and likes, the Best Friends list was a mechanism for people to accumulate a very specific form of social capital. From a platform perspective, however, there's a big problem with this feature: each user could only have one best friend. It put an artificial ceiling on the amount of social capital one could compete for and accumulate.

In a clever move to unbound social capital accumulation and to turn a zero-sum game into a positive sum game, broadening the number of users working hard or engaging, Snapchat deprecated the very popular Best Friends list and replaced it with streaks.

> If you've never seen those numbers and emojis on the right of your Snapchat contacts list, no one loves you. Just kidding, it just means you're old.

If you and a friend Snap back and forth for consecutive days, you build up a streak which is tracked in your friends list. Young people quickly threw their heart and souls into building and maintaining streaks with their friends. This was literally proof of work as proof of friendship, quantified and tracked.

Streaks, of course, have the wonderful quality of being unbounded. You can maintain as many streaks as you like. If you don't think social capital has value, you've never seen, as I have, a young person sobbing over having to go on vacation without their phone, or to somewhere without cell or wifi access, only to see all their streaks broken. Some kids have resorted, when forced to go abroad on a vacation, to leaving their phone with a friend who helps to keep all the streaks alive, like some sort of social capital babysitter or surrogate.

What's hilarious is how efficiently young people maintain streaks. It's a daily ritual that often consists of just quickly running down your friend list and snapping something random, anything, just to increment the streak count. My nephew often didn't even bother framing the camera up, most his streak-maintenance snaps were blurry pics of the side of his elbow, half his shoulder, things like that.

Of course, as evidence of the fragility of social capital structures, streaks have started to lose heat. Many younger users of Snapchat no longer bother with them. Maintaining social capital games is always going to be a volatile game, prone to sudden and massive deflationary events, but while they work, they're a hell of a drug. They also can be useful; for someone Snapping frequently, like all teens do, having a best friends list sorted to the top of your distribution list is a huge time-saver. Social capital and utility often can't be separated cleanly.

Still, given the precarious nature of status, and given the existence of Instagram which has always been a more unabashed social capital accumulation service, it's not a bad strategy for Snapchat to push out towards increased utility in messaging instead. The challenge, as anyone competing in the messaging space knows, is that creating any durable utility advantage is brutally hard. In the game theory of tech competition, it's best to assume that any feature that can be copied will. And messaging may never be, from a profit perspective, the most lucrative of businesses.

As a footnote, Snapchat is also playing on the entertainment axis with its Discover pane. Almost all social networks of some scale will play with some mix of social capital, utility, and entertainment, but each chooses how much to emphasize each dimension.

Lengthening the Half-life of Status Games

The danger of having a proof of work burden that doesn't change is that eventually, everyone who wants to mine for that social currency will have done so, and most of it will be depleted. At that point, the amount of status-driven potential energy left in the social network flattens. If, at that inflection, the service hasn't made headway in adding a lot of utility, the network can go stale.

One way to combat this, which the largest social networks tend to do better than others, is add new forms of proof of work which effectively create a new reserve of potential social capital for users to chase. Instagram began with square photos and filters; it's since removed the aspect ratio constraint, added video, lengthened video limits, and added formats like Boomerang and Stories. Its parent company, Facebook, arguably has broadened the most of any social network in the world, going from a text-based status update tool for a bunch of Harvard students to a social network with so many formats and options that I can't keep track of them all. These new hurdles are like downloadable content in video games, new levels to spice up a familiar game.

Doing so is a delicate balance, because it's quite possible that Facebook is so many things to so many people that it isn't really anything to anyone anymore. It is hard to be a club that admits everyone but still wants to offer a coherent status ladder. You can argue Facebook doesn't want to be in the status game, but if so, it had better add a lot more utility.

Video games illuminate the proof of work cycle better than almost any category, it is the drosophila of this type of analysis given its rapid life cycle and overt skill-versus-reward tradeoffs. Why is it, for example, that big hit games tend to have a life cycle of about 18 months?

A new game offers a whole new set of levels and challenges, and players jump into the status competition with gusto. But, eventually, skill differentiation tends to sort the player base cleanly. Players rise to the level of their mastery and plateau. Simultaneously, players become overly familiar with the game's challenges; the dopamine hit of accomplishment dissipates.

A franchise like, say, Call of Duty, learns to manage this cycle by investing hundreds of millions of dollars to issue a new version of the game regularly. Each game offers familiarity but a new set of levels and challenges and environments. It's the circle of life.

Some games can lengthen the cycle. For example, casino games in Vegas pay real money to set an attractive floor on the ROI of playing. Some MMORPGs offer other benefits to players, like a sense of community, which last longer than the pure skill challenge of playing the game. Looking at some of the longer lasting video game franchises like World of Warcraft, League of Legends, and Fortnite reveal a lot about how a parallel industry has succeeded in lengthening the productive middle age of its top properties.

I suspect the frontier of social network strategy will draw more and more upon deep study of these adjacent and much older social capital games. Fashion, video games, religion, and society itself are some of the original Status as a Service businesses.

Why Some Companies Will Always Struggle with Social

Some people find status games distasteful. Despite this, everyone I know is engaged in multiple status games. Some people sneer at people hashtag spamming on Instagram, but then retweet praise on Twitter. Others roll their eyes at photo albums of expensive meals on Facebook but then submit research papers to prestigious journals in the hopes of being published. Parents show off photos of their children performances at recitals, people preen in the mirror while assessing their outfits, employees flex on their peers in meetings, entrepreneurs complain about 30 under 30 lists while wishing to be on them, reporters check the Techmeme leaderboards; life is nothing if not a nested series of status contests.

Have I met a few people in my life who are seemingly above all status games? Yes, but they are so few as to be something akin to miracles, and damn them for making the rest of us feel lousy over our vanity.

The number of people who claim to be above status games exceeds those who actually are. I believe their professed distaste to be genuine, but even if it isn't, the danger of their indignation is that they actually become blind to how their product functions in some ways as Status as a Service business.

Many of our tech giants, in fact, are probably always going to be weak at social absent executive turnover or smart acquisitions. Take Apple, which has actually tried before at building out social features. They built one in music, but it died off quickly. They've tried to add some social features to the photo album on iOS, though every time I've tried them out I end up more bewildered than anything else.

iMessages, Apple fans might proclaim! Hundreds of millions of users, a ton of usage among teens, isn't that proof that Apple can do social? Well, in a sense, but mostly one of utility. Apple's social efforts tend to be social capital barren.

Since Apple positions itself as the leading advocate for user privacy, it will always be constrained on building out social features since many of them trade off against privacy. Not all of them do, and it’s possible a social network based entirely on privacy can be successful, but 1) it would be challenging and 2) it's not clear many people mind trading off some privacy for showing off their best lives online.

This is, of course, exactly why many people love and choose Apple, and they have more cash than they can spend. No one need feel sorry for Apple, and as is often the case, a company’s strengths and weaknesses stem from the same quality in their nature. I’d rather Apple continue to focus on building the best computers in the world. Still, it’s a false tradeoff to regard Apple's emphasis on privacy as an excuse for awkward interactions like photo sharing on iOS.

The same inherent social myopia applies to Google which famously took a crack at building a social network of its own with Google+. Like Apple, the team in Mountain View has always seemed more suited to building out networks of utility rather than social capital. Google is often spoken of as a company where software engineers have the most power. Engineers, in my experience, are driven by logic, and status-centered products are distasteful or mysterious to them, often both. Google will probably always be weak at social, but as with Apple, they compensate with unique strengths.

Oddly enough, despite controlling one of the two dominant mobile platforms, they have yet to be able to launch a successful messaging app. That's about as utility-driven a social application as there is, akin to email where Google does have sizeable market share with GMail. It's a shame as Google could probably use social as an added layer of utility in many of their products, especially in Google Maps.

Amazon and Netflix both launched social efforts though they've largely been forgotten. It's likely the attempts were premature, pushed out into the world before either company had sufficient scale to enable positive flywheel effects. It's hard enough launching a new social network, but it's even harder to launch social features built around behaviors like shopping or renting DVD's through the mail which occur infrequently. Neither company's social efforts were the most elegantly designed, either (Facebook is underrated for its ability to launch a social product that scaled to billions of users, its design team has a mastery of maintaining ease of use for users of all cultures and ages).

Given the industrialization of fake reviews, and given how many people have Prime accounts, Amazon could build a social service simply to facilitate product recommendations and reviews from people you know and trust; I increasingly turn a skeptical eye to both extremely positive and negative reviews on Amazon, even if they are listed as coming from verified purchasers. The key value of a feature like this would be utility, but the status boost from being a product expert would be the energy turning the flywheel. The thing is, Amazon actually has a track record of harnessing social dynamics in service of its retail business with features like reviewer rankings and global sales rank (both are discussed a bit further down).

As for Netflix, I actually think social isn't as useful as many would think in generating video recommendations (that's a discussion for another day, but suffice it to say there is some narcissism of small differences when it comes to film taste). However, as an amplifier of Netflix as the modern water cooler, as a way to encourage herd behavior, social activity can serve as an added layer of buzz that for now is largely opaque to users inside Netflix apps. It's a strategy that is only viable if you can achieve the size of subscriber base that a Netflix has, and thus it is a form of secondary scale advantage that they could leverage more.

However, there's another reason that senior execs at most companies, even social networks, are ill-suited to designing and leveraging social features. It's a variant of winner's curse.

Let Them Eat Cake

You'll hear it again and again, the easiest way to empathize with your users is to be the canonical user yourself. I tend to subscribe to this idea, which is unfortunate because it means I have hundreds of apps installed on my phone at any point in time, just trying to keep up with the product zeitgeist.

With social networks, one of the problems with seeing your own service through your users' eyes is that every person has a different experience given who they follow and what the service's algorithm feeds them. When you have hundreds of millions or even billions of users, across different cultures, how do you accurately monitor what's going on? Your metrics may tell you that engagement is high and growing, but what is the composition of that activity, and who is exposed to what parts?

Until we have metrics that distinguish between healthy and unhealthy activity, social network execs largely have to steer by anecdote, by licking a finger and sticking it in the air to ascertain the direction of the wind. Some may find it hard to believe when execs plead ignorance when alerted of the scope of problems on their services, but I don't. When it comes to running a community, the thickest veil of ignorance is the tidy metrics dashboard that munges hundreds, thousands, or maybe even millions of cohorts into just a handful.

To really get the sense of a health of a social network, one must understand the topology of the network, and the volume and nature of connections and interactions among hundreds of millions or even billions of users. It's impossible to process them all, but just as difficult today to summarize them without losing all sorts of critical detail.

But perhaps even more confounding is that executives at successful social networks are some of the highest status people in the world. Forget first world problems, they have .1% or .001% problems. On a day-to-day basis, they hardly face a single issue that their core users grapple with constantly. Engagement goals may drive them towards building services that are optimized as social capital games, but they themselves are hardly in need of more status, except of a type they won't find on their own networks.

[The one exception may be Jack Dorsey, as any tweet he posts now attracts an endless stream of angry replies. It's hard to argue he doesn't understand firsthand the downside risk of a public messaging protocol. Maybe, for victims of harassment on Twitter, we need a Jack that is less thick-skinned and stoic, not more.]

The Social Capital - Financial Capital Exchange

[If you fully believe in the existence and value of social capital, you can skip this section, though it may be of interest in understanding some ways to estimate its value.]

That some of the largest, most valuable companies in history have been built so quickly in part on creating status games should be enough to convince you of the existence and value of social capital. Since we live in the age of social media, we live in perhaps the peak of social capital assets in the history of civilization. However, as noted earlier, one of the challenges of studying it is that we don't have agreed-upon definitions of how to measure it and thus to track its flows.

I haven't found a clean definition of social capital but think of it as capital that derives from networks of people. If you want to explore the concept further, this page has a long list of definitions from literature. The fact is, I have deep faith in all my readers when it comes to social capital that, like Supreme Court Justice Potter Stewart once said about pornography, you "know it when you see it."

But more than that, the dark matter that is social capital can be detected through those exchanges in which it converts into more familiar stores of value.

If you've ever borrowed a cup of milk from your neighbor, or relied on them to watch your children for an afternoon, you know the value of social capital. If you lived in an early stage of human history, when people wandered in small nomadic tribes and regularly clubbed people of other tribes to death with sticks and stones, you also know the value of social capital through the protective cocoon of its presence and the sudden violence in its absence.

Perhaps the easiest way to spot social capital is to look at places where people trade it for financial capital. With the maturing of social networks, we've seen the infrastructure to facilitate these exchanges come a long way. These trades allow us to assign a tangible value to social capital the way one might understand the value of an intangible assets like leveled-up World of Warcraft characters when they are sold on the open market.

Perhaps the most oft-cited example of a social-to-financial-capital exchange is the type pulled off by influencers on Instagram and YouTube. I've met models who, in another life, might be mugging outside an Abercrombie and Fitch or working the front door at some high end restaurant in Los Angeles, but instead now pull down over 7 figures a year for posting photos of themselves luxuriating in specific resorts, wearing and using products from specific sponsors. When Jake or Logan Paul post a video of themselves preening in front of their new Lamborghini in the driveway of the mansion they bought using money stemming from their YouTube streaming, we know some exchange of social capital for financial capital has occurred upstream. Reshape distribution and you reshape the world.

Similarly, we see flows the other direction. People buying hundreds of thousands of followers on Twitter is one of the cleanest examples of trading financial capital for social capital. Later, that social capital can be converted back into financial capital any number of ways, including charging sponsors for posts. Depending on the relative value in both directions there can be arbitrage.

[Klout, a much-mocked company online, attempted to more precisely track social capital valuations of people online, but, just as the truly wealthy mock the nouveau riche as gauche, many found the explicit measurement attempts unseemly. Most of these same people, however, compete hard for social capital online, so ¯\(ツ)/¯. The designation of which status games are acceptable is itself a status game.]

Asia, where monetization models differ for a variety of cultural and contextual reasons, provides an even cleaner valuation of social capital. There, many social networks allow you to directly turn your social capital into financial capital, without leaving the network. For example, on live-streaming sites like YY, you can earn digital gifts from your viewers which cost actual money, the value of which you split with the platform. In the early days, a lot of YY consisted of cute girls singing pop songs. These days, as seen in the fascinating documentary People’s Republic of Desire, it has evolved into much more.

Agencies have sprung up in China to develop and manage influencers, almost like farm systems in baseball with player development and coaches. The speed at which social capital can be converted into your own branded product lines is accelerating by leaps and bounds, and nowhere more so than in China.

Meanwhile, on Twitter, if one of your tweets somehow goes massively viral, you still have to attach a follow-up tweet with a link to your GoFundMe page, a vulgar monetization hack in comparison. It’s China, not the U.S., that is the bleeding edge of influencer industrialization.

I'm skeptical that all of Asia's monetization schemes will export to the culture in America, but for this post, the important thing is that social capital has real financial value, and networks differ along the spectrum of how easily that exchange can be made.

Social Capital Accumulation and Storage

As with cryptocurrency, it's no use accumulating social capital if you can't take ownership of it and store it safely. Almost all successful social networks are adept at providing both accumulation and storage mechanisms.

It may sound obvious now, but consider the many apps and services that failed to provide something like this and saw all their value leak to other social networks. Hipstamatic came before Instagram and was the first photo filter app of note that I used on mobile. But, unlike Instagram, it charged for its filters and had no profile pages, social network, or feed. I used Hipstamatic filters to modify my iPhone photos and then posted them to other social networks like Facebook. Hipstamatic provided utility but captured none of the social capital that came from the use of its filters.

Contrast this with a company like Musical.ly, which I mentioned above. They came up with a unique proof of work burden, but unlike Hipstamatic, they wanted to capture the value of the social capital that its users would mine by creating their musical skits. They didn't want these skits to just be uploaded to Instagram or Facebook or other networks.

Therefore, they created a feed within the app, to give its best users distribution for their work. By doing so, Musical.ly owned that social capital it helped generate. If your service is free, the best alternative to capturing the value you create is to own the marketplace where that value is realized and exchanged.

Musical.ly founder Alex Zhu likens starting a new social network to founding a new country and trying to attract citizens from established countries. It's a fun analogy, though I prefer the cryptocurrency metaphor because most users are citizens of multiple social networks in the tech world, managing their social capital assets across all of those networks as a sort of diversified portfolio of status.

For the individual user, we've standardized on a few basic social capital accumulation mechanisms. There is the profile, to which your metrics attach, most notably your follower count and list. Followers or friends are the atomic unit of many social networks, and the advantage of followers as a measure is it generally tends to only grow over time. It also makes for an easy global ranking metric.

Local scoring of social capital at the atomic level usually exists in the form of likes of some sort, one of the universal primitives of just about every social network. These are more ephemeral in nature given the nature of feeds, which tend to prioritize distribution of more recent activity, but most social networks have some version of this since followers tend to accumulate more slowly. Likes correlate more strongly with your activity volume and serve as a source of continual short-term social capital injections, even if each like is, in the long-run, less valuable than a follower or a friend.

Some networks allow for accelerated distribution of posts through resharing, like retweeting (with many unintended consequences, but that's a discussion for another day). Some also allow comments, and there are other network-specific variants, but most of these are some form of social capital that can attach to posts.

Again, this isn't earth-shattering to most users of social networks. However, where it’s instructive is in examining those social networks which make such social capital accumulation difficult.

A good example is the anonymous social network, like Whisper or Secret. The premise of such social networks was that anonymity would enable users to share information and opinions they would otherwise be hesitant to be associated with. But, as is often the case, that strength turned out to be a weakness, because users couldn't really claim any of the social capital they'd created there. Many of the things written on these networks were so toxic that to claim ownership of them would be social capital negative in the aggregate.

A network like Reddit solved this through its implementation of karma, but it's fair to say that it's also been a long struggle for Reddit to suppress the dark asymmetric incentives unlocked by detaching social capital from real-life identity and reputation.

[Balaji Srinivasan once mentioned that someday the cryptocurrencies might allow someone to extract the value from an anonymous social network without revealing their identity publicly, but for now, at least, a lot of this status on social networks isn't monetary in nature. A lot of it's just for the lulz.]

For any single user, the stickiness of a social network often correlates strongly with the volume of social capital they've amassed on that network. People sometimes will wholesale abandon social networks, but it's rare unless the status earned there has undergone severe deflation.

Social capital does tend to be non-fungible which also tends to make it easier to abandon ship. If your Twitter followers aren't worth anything on another network, it's less painful to just walk away from the account if it isn't worth the trouble anymore. It's strange to think that social networks like Twitter and Facebook once allowed users to just wholesale export their graphs to other networks since it allowed competing networks to jumpstart their social capital assets in a massive way, but that only goes to show how even some of the largest social networks at the time underestimated the massive value of their social capital assets. Facebook also, at one point, seemed to overestimate the value of inbound social capital that they'd capture by allowing third party services and apps to build on top of their graph.

The restrictions on porting graphs is a positive from the perspective of the incumbent social networks, but from a user point-of-view, it's frustrating. Given the difficulty of grappling with social networks given the consumer welfare standard for antitrust, an option for curbing the power of massive network effects businesses is to require that users be allowed to take their graph with them to other networks (as many have suggested). This would blunt the power of social networks along the social capital axis and force them to compete more on utility and entertainment axes.

Social Capital Arbitrage

Because social networks often attract different audiences, and because the configuration of graphs even when there are overlapping users often differ, opportunities exist to arbitrage social capital across apps.

A prominent user of this tactic was @thefatjewish, the popular Instagram account (his real name was Josh Ostrovsky). He accumulated millions of followers on Instagram in large part by taking other people's jokes from Twitter and other social networks and then posting them as his own on Instagram. Not only did he rack up followers and likes by the millions, he even got signed with CAA!

When he got called on it, he claimed it wasn't what he was about. He said, "Again, Instagram is just part of a larger thing I do. I have an army of interns working out of the back of a nail salon in Queens. We have so much stuff going on: I'm writing a book, I've got rosé. I need them to bathe me. I've got so many other things that I need them to do. It just didn't seem like something that was extremely dire." Which is really a long, bizarre way of saying, you caught me. Let he who does not have an army of interns bathing them throw the first stone.

Since then, similar joke aggregator accounts on Instagram have continued to proliferate, but some of them now follow the post-fatjewish-scandal social norm of including the proper attribution for each joke in the photo (for example including the Twitter username and profile pic within the photo of the "borrowed" tweet). But many do not, and even for those who do, the most prominent can trigger a backlash. The hashtag #fuckfuckjerry is an emergent protest against the popular Instagram account @fuckjerry which, like @fatjewish, curates the best jokes from others and daytraded that into a small media company, one that featured in the Fyre Festival debacle.

As long as we have multiple social networks that don't quite work the same way, there will continue to be these social media arbitragers copying work from one network and to a different network to accumulate social capital on closing the distribution gap. Before the internet, men resorted to quoting movies or Mitch Hedberg jokes in conversation, to steal a bit of personality and wit from a more gifted comedian. This is the modern form of that, supercharged with internet-scale reach.

At some level, a huge swath of social media posts are just attempts to build status off of someone else's work. The two tenets at the start of this article predict that this type of arbitrage will always be with us. Consider someone linking to an article from Twitter or Facebook, or posting a screenshot of a paragraph from someone else's book. The valence of the reaction from the original creators seems to vary according to how the spoils of resharing are divvied up. The backlash to Instagram accounts like @thefatjewish and @fuckjerry may stem from the fact that they don't really share value from those whose jokes they redistribute, whereas posting an excerpt from a book on Twitter, for example, generates welcome publicity for the author.

Social Capital Games as Temporary Energy Sources

Structured properly, social capital incentive structures can serve as an invaluable incentive. For example, curation of good content across the internet remains an never-ending problem in this age of infinite content, so offering rewards for surfacing interesting things remains one of the oldest and most reliable marketplaces of the internet.

A canonical example is Reddit, where users bring interesting links, among other content, in exchange for a currency literally named karma. Accumulate enough karma and you'll unlock other benefits, like the ability to create your own subreddit, or to join certain private subreddits.

Twitter is another social network where people tend to bring interesting content in the hopes of amassing more followers and likes. If you follow enough of the right accounts, Twitter becomes an interestingness pellet dispenser.

Some companies which aren't typically thought of as social networks still turn to social capital games to solve a particular problem. On one Christmas vacation, I stumbled downstairs for a midnight snack and found my friend, a father of three, still up, typing on his laptop. What, I asked, was he doing still up when he had to get up in a few hours to take care of his kids? He was, he admitted sheepishly, banging out a litany of reviews to try to maintain his Yelp Elite status. To this day, some of my friends still speak wistfully about some of the Yelp Elite parties they attended back in the day.

Think of how many reviews Yelp accumulate in the early days just by throwing a few parties? It was, no doubt, well worth it, and at the point when it isn't (what's the marginal value of writing the, at last count, 9655th review of Ippudo in New York City?), it's something easily dialed back or deprecated.

Amazon isn't typically thought of as a company that understands social, but in its earliest days, before even Yelp, it employed a similar tactic to boost its volume of user reviews. Amazon Top Reviewers was a globally ranked list of every reviewer on all of Amazon. You could boost your standing by accumulating more useful review votes from shoppers for your reviews. I'll always remember Harriet Klausner, who dominated that list for years, reviewing seemingly every book in print. Amazon still maintains a top customer reviewer list, but it has been devalued over time as volume of reviews is no longer a real problem for Amazon.

Another example of a status game that Amazon employed to great effect, and which doesn't exist anymore, was Global Sales Rank. For a period, every product on Amazon got ranked against every other product in a dynamic sales rank leaderboard, and the figure would be displayed prominently near the top of each product detail page. Book authors pointed customers to Amazon to buy their books in the hope of goosing their sales rank the same way authors today often commit to buy some volume of their own book when it releases in the hopes of landing on the NYTimes bestseller list the week it releases.

IMDb and Wikipedia are two companies which built up entire valuable databases almost entirely by building mechanisms to harness the equal mix of status-seeking and altruism of domain experts. As with Reddit, accumulating a certain amount of reputation on these services unlocked additional abilities, and both companies built massive databases of information with very low production and editorial costs.

You can think of social capital accumulation incentives like these as ways to transform the potential energy of status into whatever form of kinetic energy your venture needs.

Why Most Celebrity Apps Fail

For a while, a trend among celebrities was to launch their own app. The Kardashian app is perhaps the most prominent example, but there are others.

From a social capital perspective, these create little value because they simply draw down upon the celebrity's own status. Almost every person who joins just wants content from the eponymous celebrity. The volume of interaction between the users of the app themselves, the fans, is minimal to non-existent. Essentially these apps are self-owned distribution channels for the stars, and as such, they tend to be vanity projects rather than durable assets.

One can imagine such apps trying to foster more interaction among the users, but that is a really complex effort, and most such efforts have neither the skills to take this on nor the will or capital necessary to see it through.

Another way to think of all these celebrity ventures is to measure the social capital and utility of the product or service if you remove all the social capital from the celebrity in question. A lot minus a lot equals zero.

Conclusion: Everybody Wants to Rule the World

In the immortal words of Obi-Wan Kenobi, "Status is what gives a Jedi his power. It's an energy field created by all living things. It surrounds us and penetrates us. It binds the galaxy together."

That many of the largest tech companies are, in part, status as a service businesses, is not often discussed. Most people don't like to admit to being motivated by status, and few CEO's are going to admit that the job to be done for their company is stroking people's egos.

From a user perspective, people are starting to talk more and more about the soul-withering effects of playing an always-on status game through the social apps on their always connected phones. You could easily replace Status as a Service with FOMO as a Service. It's one reason you can still meet so many outrageously wealthy people in Manhattan or Silicon Valley who are still miserable.

This piece is not my contribution to the well-trod genre of Medium thinkpieces counseling stoicism and Buddhism or transcendental meditation or deleting apps off of your phone to find inner peace. There is wisdom in all of those, but if I have anything to offer on that front, it's this: if you want control of your own happiness, don't tie it to someone else's scoreboard.

Recall the wisdom of Neil McCauley in the great film Heat.

> To get off the hedonic treadmill, heed the words of Robert DeNiro's Neil McCauley in that classic film about status, Heat, "Don't let yourself get attached to any social capital you are not willing to walk out on in 30 seconds flat if you feel the heat around the corner."

At the end of Heat, he fails to follow his own advice, and look what happened to him.

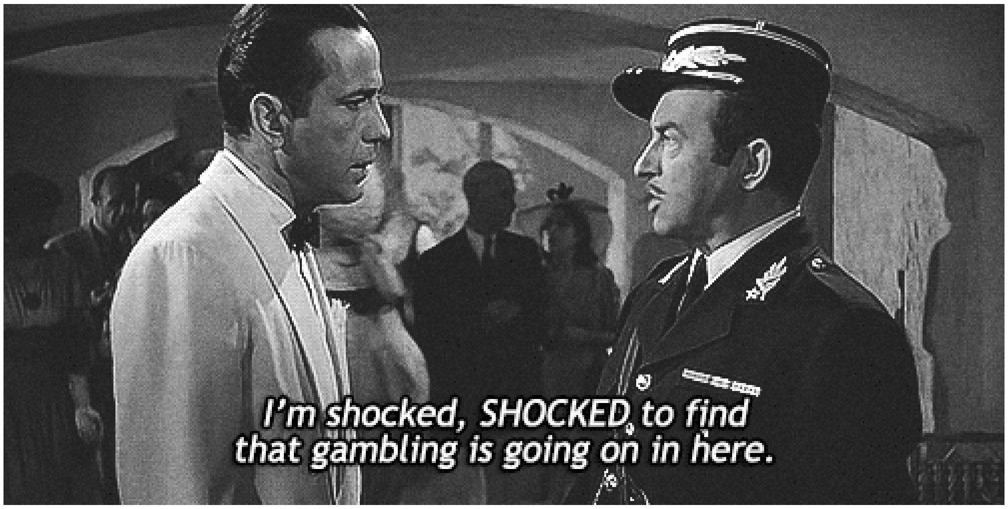
Yet, I come not to bury Caesar, but also not to praise him. Rather, as Emily Wilson says at the start of her brilliant new translation of The Odyssey, "tell me about a complicated man." So much of the entire internet was built on a foundation of social capital, of intangible incentives like reputation. Before the tech giants of today, I combed through newsgroups, blogs, massive FAQs, and countless other resources built by people who felt, in part, a jolt of dopamine from the recognition that comes from contributing to the world at large. At Amazon, someone coined a term for this type of motivational currency: egoboo (short for, you guessed it, egoboost). Something like Wikipedia, built in large part on egoboo, is a damned miracle. I don't want to lose that. I don't think we have to lose that.

Of course, like the Force, status is equally potent as fuel for the darkest, cruelest parts of human nature. If you look at the respective mission statements of Twitter and Facebook —"to give everyone the power to create and share ideas and information instantly without barriers" and "to give people the power to share and make the world more open and connected"—what is striking is the assumption that these are fundamentally positive outcomes. There's no questioning of what the downsides of connecting everyone and enabling instant sharing of information among anyone might be.

Of course, both companies, and many others, have now had to grapple with the often unbounded downside risk of just wiring together billions of people with few guardrails. Reading the Senate Intelligence Committee reports on Russian infiltration of social networks in the 2016 election, what emerges is unsettling: in so many ways the Russians had a more accurate understanding of the users of these services than the product teams running them. In either case, much of the cost has been born not by the companies themselves but society. Companies benefit from the limitless upside of their models, so it's not unreasonable to expect them to bear the costs, just as we expect corporations to bear the cost of polluting rivers with their factories. If we did, as Hunter Walk has noted, profit margins would be lower, but society and discourse might be healthier.

Contrary to some popular Twitter counsel, the problem is not that the leaders of these companies don't have humanities degrees. But the solution also doesn't lie in ignoring that humans are wired to pursue social capital. In fact, overlooking this fundamental aspect of human nature arguably landed us here, at the end of this first age of social network goliaths, wondering where it all went haywire. If we think of these networks as marketplaces trading only in information, and not in status, then we're only seeing part of the machine. The menacing phone call has been coming from inside the house all along. Ben Thompson refers to this naivete from tech executives as the pollyannish assumption.

Having worked on multiple products in my career, I'm sympathetic to the fact that no product survives engagement with humans intact, But this first era of Status as a Service businesses is closing, and pleading ignorance won't work moving forward. To do so is to come off like Captain Louis Renault in Casablanca.


I'm shocked, SHOCKED to find
that gambling is going on in here.