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LIFE | IDEAS | THE SATURDAY ESSAY

Sean Parker: Philanthropy for Hackers

Today's young Internet barons should use the talents that made them rich to transform the world of giving

The wealthy young barons of this new connected age are interchangeably referred to as technologists, engineers and even geeks, writes Sean Parker, but they all have one thing in common: They are hackers. *PHOTO: ISTOCKPHOTO*

By **SEAN PARKER**

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In the past several decades, there has been a monumental shift in the distribution of wealth on the planet. A new global elite, led by pioneers in telecommunications, personal computing, Internet services and mobile devices, has claimed an aggregate net worth of almost $800 billion of the $7 trillion in assets held by the wealthiest 1,000

people in the world.

The barons of this new connected age are interchangeably referred to as technologists, engineers and even geeks, but they all have one thing in common: They are hackers. Almost without exception, the major companies that now dominate our online social lives (Facebook, Twitter, Apple, etc.) were founded by people who had an early association with hacker culture. I still consider myself to be one of them. Once you adopt the mind-set of a hacker, it's hard to let it go.

Hackers share certain values: an antiestablishment bias, a belief in radical transparency, a nose for sniffing out vulnerabilities in systems, a desire to "hack" complex problems using elegant technological and social solutions, and an almost religious belief in the power of data to aid in solving those problems.

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Hackers are popularly considered to be troublemakers, but they are also dedicated problem solvers, as interested in discovering holes in systems as they are in exploiting them for personal gain. By identifying weaknesses in long-established systems, they have successfully disrupted countless industries, from retail and music to transportation and publishing.

Mostly awkward and introverted, more interested in ideas than in making money or running companies, hackers are generally reluctant empire-builders. The geeks were not supposed to inherit the Earth, so nobody—least of all the hackers themselves—expected these iconoclastic loners to change the world, acquiring enormous power and financial resources in the process.

This newly minted hacker elite is an aberration in the history of wealth creation. In the first place, they achieved success at a young age, generally before they turned 40. They also grew up thinking of themselves as outsiders and never fully integrated with establishment institutions or aspired to participate in elite society, choosing instead the company of their peers. They are, as a result, underprepared for the enormous

responsibility that has been handed to them—a burden they never dreamed of carrying.

At the same time, they are intensely idealistic, so as they begin to confront the world's most pressing humanitarian problems, they are still young, naive and perhaps arrogant enough to believe that they can solve them. This budding sense of purpose is now bringing the hacker elite into contact with traditional philanthropy—a strange and alien world made up of largely antiquated institutions.

No one

Sean Parker speaks at a Spotify event in New York City on Dec. 6, 2012. *PHOTO: SPENCER PLATT/GETTY IMAGES*

knows exactly how much money is stored within these institutions, which are the tax-exempt vehicles of private foundations and endowments. Those funds began to accumulate in the early 20th century when industrial barons such as Andrew Carnegie

and John D. Rockefeller first set up their foundations. In 1953, Howard Hughes contributed most of his equity in Hughes Aircraft Company to a tax-exempt entity in what was widely viewed as an attempt to shelter much of his fortune from taxation. The warehousing of funds inside permanent tax-exempt entities continues to this day.

An additional $300 billion a year is given to private foundations and public charities, which offer little in the way of transparency or accountability. This is not entirely their fault. Philanthropy isn't subject to normal market forces. From an economic perspective, it may be the most distorted market in the world, the only one where the buyer of a good or service—the "donor"—isn't the ultimate recipient of the value that good or service has to offer.

So while philanthropists like to talk about impact, they seldom have the tools to measure it. This has led to a world in which the primary currency of exchange is recognition and reputation, not effectiveness. These incentives lead most philanthropists to favor "safe" gifts to well-established institutions, resulting in a never-ending competition to name buildings at major universities, medical centers, performing arts centers and other such public places.

Hackers have shown themselves to be less interested in this conventional form of philanthropy. Instead, they want to know that they are having an impact that can be measured and felt. This is where the hackers' ability to spot problem that are solvable gives them a decisive advantage. It's easy to find problems—we see them everywhere we look—but it is something else entirely to find "hackable" problems. Those are the ones that have viable solutions.

This new generation of philanthropists wants to believe there is a clever "hack" for every problem, and they have launched a number of radical experiments. For instance, in the face of massive projects that have failed to transform the slums of Kibera, in the Kenyan capital of Nairobi, people like Facebook co-founder Dustin Moskovitz are attempting to send cash directly to the cellphones of Kibera's residents, through charities like GiveDirectly.

These budding philanthropists want metrics and analytic tools comparable to the dashboards, like Mixpanel, that power their software products. They want to interact directly with the scientists, field workers and academics whose ideas power the philanthropic world but who have traditionally been hidden away in a backroom somewhere, shielded from their beneficiaries by so-called development officers.

As members of the hacker elite begin to embrace their social responsibilities, it's

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important that we keep a few lessons in mind, lest we assimilate into the stodgy institutions of the past and lose our edge.

Start giving early. There's no better time to start than the present. Youth and philanthropy haven't historically mixed, and today's younger philanthropists are eager to work, energetic and unconcerned about alienating the establishment. The moment anyone begins to worry about what the establishment thinks, it's probably an indication that they've become a part of it.

A venture capitalist once asked me why I was so committed to working with a company I had founded, which wasn't performing as well as my other companies: "You have a reputation to protect. Do you really want to be doing this?" I told him that if had been thinking that way when I started, back when I had nothing to lose, I wouldn't have built a reputation in the first place.

It's important for hackers to embrace the values that made them successful in the first place: skepticism of the establishment and a desire to provoke or upend it. The hackers who are entering the global elite should embrace charitable giving as its own reward, not as a means of acceptance into the very social systems they have played a role in demolishing.

Deploy capital quickly. The only way to avoid the pitfalls of philanthropic decay is to

deploy resources quickly, in response to current problems. This means spending down all of your philanthropic assets during your own lifetime, without worrying about leaving behind an institutional legacy. The act of transferring wealth into a tax-exempt charitable vehicle should never be an end in itself.

Live to see some, if not all, of your philanthropic ambitions through to completion. Wikipedia was one of the first hacker-led nonprofits, with a mission of organizing the world's knowledge. This was a problem understood by Andrew Carnegie a century earlier, and he addressed it by constructing libraries. Perhaps if he had lived to see the Internet, he would have funded Wikipedia instead. We will never know, but the foundation that bears his name carried on funding libraries even after the Internet made them obsolete.

Remain small and bet big. Your primary comparative advantage relative to government and the private sector is efficiency and agility; don't squander it by becoming a large institution.

The executive directors of most major private foundations, endowments and other nonprofit institutions are dedicated, first and foremost, to preserving the resources and reputations of the institutions they run. This is achieved by creating layers of bureaucracy to oversee the resources of the institution and prevent it from taking on too much risk.

As a result, many large private foundations become slow, conservative and saddled with layers of permanent bureaucracy, essentially taking on the worst characteristics of government. Hacker philanthropists must resist the urge to institutionalize and must never stop making big bets.

Focus on "hackable problems." Hackers are drawn to problems that are ready to be solved, where they have some unique insight or a novel approach that has yet to be tried.

The most interesting problems in technology didn't seem glamorous or attractive to investors at first. In 1999, the world wondered why we needed another search engine, and then Google became the dominant player on the Internet for the next decade.

In 2004, social media was a much-maligned sector, unattractive to investors in the wake of Friendster and Myspace. But social media transformed the very fabric of society, fulfilling the promise of the Internet to democratize media in ways that had been long predicted but never fully realized.

This is core to the hacker mentality: We hack systems that can be hacked and ignore the rest. I care deeply, for example, about the plight of refugees and the peril of global warming, but I don't pretend to have some special insight into how to deal with them.

A bag of engineered T cells being prepared for infusion into a clinical trial participant at the Abramson Cancer Center of the University of Pennsylvania in Philadelphia in 2013. *PHOTO: PENN MEDICINE*

This philosophy has been the impetus for my own philanthropic focus on the field of cancer immunotherapy. A decade ago, despite the billions of dollars spent each year by the U.S. government on cancer research, the idea of leveraging the capabilities of the body's own immune system against cancer wasn't receiving much funding. A dedicated group of immunologists turned oncologists—such as Carl June at the University of Pennsylvania, who has done pioneering work on HIV—believed that the immune system played an important role in regulating malignancies, a view that had been relegated to the fringes of cancer research for nearly a century.

In 2011, when the funds that Dr. June needed were slow to materialize from conventional sources like the National Cancer Institute, he published his early trial results, and private foundations stepped in to support his work. The funding allowed Dr. June to demonstrate that his genetically modified immune cells (CAR T-cells) could function as tumor-killing assassins, leading to complete remission in some patients with leukemia.

His research helped to spur a revolution in cancer immunotherapy, bringing with it promising new treatments for various blood cancers and melanoma and prompting the creation of several companies with multi-billion-dollar public market valuations.

Follow market logic. In philanthropic work, hackers must constantly ask if they are

leveraging their investments. Are they getting out more than they are putting in? On a particular issue, do they have a comparative advantage? It's important to treat philanthropy as a series of calculated risks: Not every contribution will yield success, some will end in failure, and others, when they succeed, ought to generate exponential returns.

In this model, being wrong is as valuable as being right. Nothing works all the time, and hackers entering the world of philanthropy will be skeptical of any claims that cannot be invalidated.

Get political. Political interventions might seem dirty, with the potential to sully your reputation, but many of our big problems have a political dimension.

Some of the most effective philanthropists of the past generation— George Soros on the left, Charles and David Koch on the right, Michael Bloomberg in the center—have made as many enemies as friends, but their visibility and political boldness have extended their reach. They have had the courage to put their wealth on the line for their political and policy beliefs, in many cases without the benefit of tax exemptions that more conventional philanthropists enjoy.

It is possible to engage in politics and advocacy for the public good. This can mean supporting policies that are averse to one's own immediate interests, such as arguing for a higher long-term capital-gains rate for the wealthy or the elimination of the carried-interest loophole for investors. It can also mean supporting sensible policies that are good for the public even though they may be unpopular, such as free-trade deals and lower corporate taxes that make America more competitive.

Philanthropy has always been grounded in service to others. In the past, direct charitable work, like building a hospital or running a soup kitchen, was the preferred way of giving back. In this simpler world, tangible direct benefits were realized by the recipient and the donor alike. This form of giving remains as valuable as ever—it springs from our inherent sense of generosity and compassion.

The trouble for hackers venturing into the field of philanthropy is one of scale. How do these individuals, accustomed to unleashing massive social changes that span the globe, make a lasting contribution in their charitable lives and find satisfaction in doing so?

Hacker philanthropists have to recognize that their successes will be few and infrequent and that their rewards will be fleeting, personal and often unrecognized. They will need to ground themselves in a genuine commitment to serve others and draw from a deeply

felt sense of purpose.

This week, I announced the launch of the Parker Foundation, with a $600 million gift. I will oversee the use of these funds during my own lifetime. I'm not afraid to fail, and I will go out of my way to admit it when something doesn't work.

My most important responsibility is to leave behind not an unwieldy institution for others to manage but rather a world better off than I found it, one that my children can manage to live in.

The techno-utopianism of hackers has already transformed our lives. But the greatest contribution that hackers make to society may be yet to come—if we are willing to retain the intellectual and creative spirit that got us this far.

Mr. Parker is the co-founder of Napster, the founding president of Facebook, a board member of Spotify and the chairman of the Parker Foundation.

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