Coinage: A Community-Owned Media Model

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Abstract. A community-owned version of news media enables an incentive structure that protects and prioritizes objective, fact-based reporting in a world where bias, sensationalism, social media algorithms, and profit-based paradigms have led to precipitous declines in public trust. Establishing co-ownership of shows via cooperative association membership represented by non-fungible tokens (NFTs) provides the technological foundation for a model that can solve these problems, but the main benefits are lost if trust is not established at the core of the community's shared mission to pursue objective truth. We propose a two-prong solution to rectify the erosion of trust in media by creating a decentralized network of co-owners with conflicting, informed interests; and by breaking down the wall between media outlet and its audience. Conflicting interests among the show's co-owners serve to cancel out biases and force objective facts to emerge as a shared baseline for community discourse. These co-owners, then, serve not only as a check on editorial drift, but also as a decentralized network to distribute show content among their respective communities. By earning the ability to invite beneficial individuals to join in co-owning the media entity, the network effect grows in a truly decentralized manner to leverage diversity of thought around a show's shared mission for truth. Incentives between a show and its audience are aligned in sourcing, producing, and distributing the best show possible, together.

1. Introduction

News media in the digital age has suffered from a model that prioritizes growing an audience above all else. Doing so on the Internet, often via social media platforms and those platforms' respective algorithms, incentivizes sensationalized headlines and leaves little room for a nuanced observation of facts. While that system can be profitable for some outlets, the need to grow and maintain their increasingly polarized audiences creates a vicious feedback loop that has proven destructive to the public and common good. In a post-truth world where "mainstream" outlets cater to different audiences that can't agree on basic objective facts, true debate and productive discourse dies.

In this paper, we propose a solution to rectify the traditional model's misalignment of incentives between media outlet and audience: Building a new community-owned model that radically realigns incentives to protect and produce objective, fact-based content around an outlet's shared mission. For Coinage, a crypto news and analysis show, that mission will be creating a consensus baseline for verifiable and comprehensible facts in an industry where its technology may be designed to be trustless, but the humans building and using it are not. The framework we propose to establish that trust is replicable across any medium or shared value system, not just the use case for crypto media discussed herein. Properly executed, this framework should correct prior thinking around using an audience solely as a means to an end to sell advertisements, which risks detracting from the perceived quality and trustworthiness of the overall product. Instead, by breaking down the wall between a show and its audience, a positive feedback loop is created whereby sourcing, producing, and distributing the best show possible, together, becomes the shared end by both sides.

2. Distrust In Media

In America's increasingly polarized media landscape, a news consumer in one audience following one set of facts becomes predisposed to not believing another set of facts coming out of the "opposing side." Take the "chicken and egg" question: A Chicken Outlet supports arguments that the chicken came first; an Egg Outlet, the egg. Over time, as their distinct audiences become increasingly polarized, a Chicken Outlet viewer might immediately choose not to believe an objective fact being reported by an Egg Outlet analyst. Even if one outlet is indeed reporting an objective fact, it immediately becomes discredited by audiences of the opposing persuasion. The outlet's incentive structure makes it so that the Egg Outlet's reporting in this example is immediately judged guilty of bias by a Chicken Outlet viewer because both sides are playing by the rules of the same model: Grow viewership – even if it comes at the expense of having to spin or stretch the facts.

Cries of "Fake News" grow louder, and entrenchment on both sides only strengthens in resolve. While elements of this problem have been present in news media for centuries, the advent of the Internet has exacerbated them at an unprecedented scale. According to one Gallup poll surveying Americans' confidence in newspapers and television news, trust in both mediums has fallen to record lows at just 16% and 11%, respectfully.[1] That's the lowest level of trust in media ever recorded.

Percentage of Americans who say they have "a great deal" or "quite a lot" of confidence in newspapers and television news

Data: Gallup

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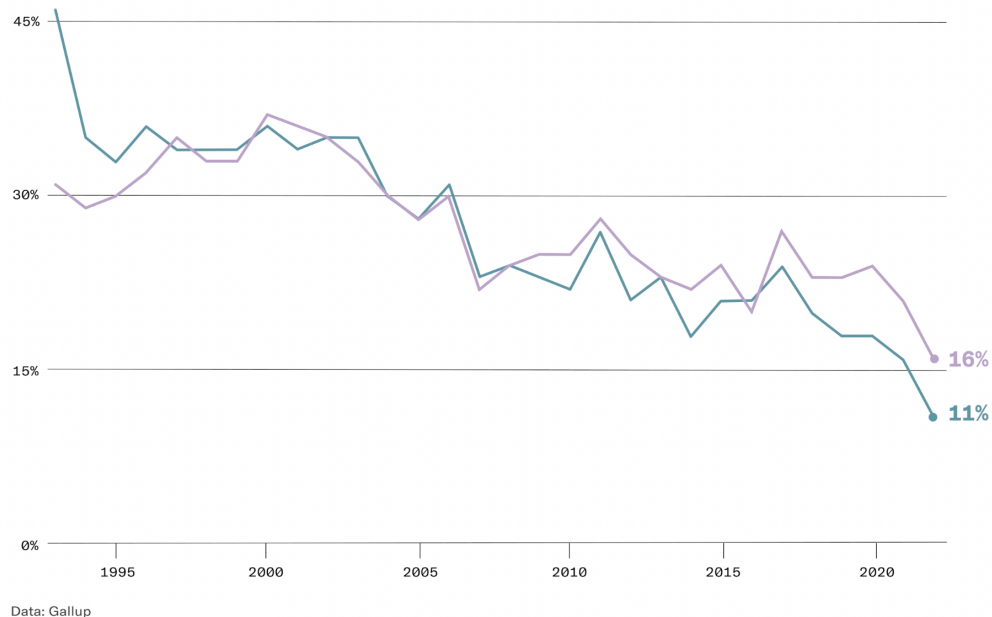
[1] Gallup, "Confidence in U.S. Institutions Down; Average at New Low" J.Jones, July 2022

Interestingly, however, while Americans seem to be losing trust in news media at a national level, there is still an overwhelming amount of confidence at the local community level. A Pew Research poll shows that a large majority of Americans (75%) still say they have at least some trust in the information that comes from local news outlets[2]. When it comes to identifying why there is such a wide gap of trust, the Pew data reveals some noteworthy differences. In assessing the importance of journalism at the local level, 85% of respondents indicated it was important to understand the history of the community, and 81% stressed a premium on being personally engaged in the community.

Thus, to restore confidence in media, we need to leverage an emphasis on rigorous community-informed reporting for the new digital age, reframed into a seamless and coherent incentive structure that preemptively dismantles accusations of bias before they are raised.

3. Establishing Trust In Media

The solution we propose to build trust from scratch begins by bringing together established parties with conflicting interests within the area of coverage a given media entity is targeting. In the case of Coinage, a crypto news show distilling the most important stories to a mainstream audience, the easiest way to establish trust is to begin with a selected group of individuals who have a proven track record of building trust in crypto. We started with notable founders, investors, and our host who have all demonstrated a public history of knowledge and experience in the space. Crucially, they all share the same three attributes: First, the conviction that more objective, fact-based reporting in crypto media is necessary to improve integrity and accountability in the space; second, personal and professional interests that are opposed with one another; and third, a proven track record of trust within their own communities of personal, private, and social networks.

- John Wu, Ava Labs President and noted Avalanche builder
- Megan Kaspar, RED DAO member and noted Ethereum evangelist
- Terri Burns, GV Partner and general blockchain enthusiast
- Zack Guzman, Trustless Media co-founder and Coinage Host

This approach encourages public trust by clearly demonstrating the shared beliefs and conflicting interests of an outlet's co-owners. But it also gives rise to another potential source of inherent bias: these founding members were, after all, hand-picked, in some cases due to existing personal or professional relationships, and the resulting foundations of mutual trust. Thus, it is at the point of inception when a community's trust factor is at its most vulnerable, a problem best mitigated through preemptive transparency.

Equally important is the network effect created by content distribution among the community's co-owners, allowing for a fledgling ecosystem to compete with established media outlets that leverage the strength of their own distribution networks. By inviting more people into the community, the ability to deliver content for the masses in a decentralized way becomes exponentially more powerful. As the community grows, this core audience of co-owners and subscribers *becomes* the grassroots engine of the distribution network.

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[2] [Pew Research Center](), "For Local News, Americans Embrace Digital but Still Want Strong Community Connection" March 2019

4. Optimizing For Trust In The Community

Creating a community of diverse opinions is usually not the norm. Specifically in digital media, it has become easier than ever to only interact with people who agree with you whether in Facebook groups, Reddit forums, or Twitter Spaces. Even when attracting community leaders around a shared mission of objective fact-based storytelling, that community risks collapse or delegitimization if a trust-based paradigm is not maintained from the outset of community formation.

To deliver on those goals of augmenting conflicting interests and credibility at scale, we employ an invite-only mint strategy whereby people who are invited to mint are able to earn a certain number of invites predicated on their own demonstrated trust in the community, and are, in turn, entrusted to share those invites with people they deem to be beneficial prospective additions to the Coinage community of co-owners.

This removes any control over the community from the hands of a centralized authority, and ensures Coinage's genesis ownership tier is filled with 1,000 NFT holders who were not hand-selected beyond the formation stage. (A comparable mental map would be the "six degrees of separation" paradigm: while the first degree of co-owners is known to the central authority, it is up to each subsequent degree to determine how the network grows and who joins next. To prevent a runaway overflow of influence from any one initial invite chain, the amount of invites stemming from any initial minter listed above is capped at 500. Therefore, no one individual invite chain can ever constitute majority control over the max supply of 1,000 Coinage Network NFTs.)

Meanwhile, at the individual level, we institute a twist on the invite-only mint strategy in order to codify a foundation of trust at the community's core, and to reward trusting parties with a larger influence over filling the Network ranks. In order to do so, each minter is invited to play a "trust game" with another randomly matched and anonymous minter. In that game, both parties are asked whether they would like to "trust" or "distrust" their randomly matched partner. In a nod to game theory and the prisoner's dilemma, the number of invites earned are directly determined by the three possible trust game outcomes:

- Trust/Trust: Both parties receive 4 invites in reward for mutual trust.
- Trust/Distrust: The trusting party receives 2 invites, and the distrusting party earns 6 invites, as a check against creating a "trust facade" or "trust echo chamber."
- Distrust/Distrust: Neither party receives any invites in penalty for mutual distrust.

As it is not our place to nudge anyone to do anything, the expected value of invites earned is equal whether the minter "trusts" or "distrusts." The decision comes down to personal preference and conviction in how others joining the community are incentivized to behave. In aggregate, the community develops a baseline trust metric to measure respect and collaboration.

5. Value Incentive

While the value derived from an NFT unlocking collaborative influence over *which* topics a trusted mainstream crypto series would cover, and *how* it would go about covering them, is certainly greater than zero, that value alone does not completely align the long-term interests of the show and an NFT holder.

In order to do so, the value of a Network NFT must also capture and reflect the value of members' contributions and patronage to Coinage towards delivering on its mission and growing its influence as the industry's mainstream show of record. To achieve that alignment, the Network NFT confers priority status upon the owner to complete the membership process and join a

corresponding Coinage decentralized autonomous organization (DAO), legally structured as a Cooperative (a legal cooperative association, or LCA), that serves to co-own Coinage and formalize the show's governance structure with community input. An NFT holder, therefore, would be encouraged to participate and improve the quality of work Coinage creates and distributes to the world, because the shared value of the network's integrity directly impacts the value of their ownership.

While formed in a decentralized manner, the realities of the production process and fact-checked journalistic rigor require that certain elements are centralized in the name of logistical and creative efficiency. Those contours of community governance – what should be decided by who, and when, and why – will invariably evolve as the needs of production and the community's resources change over time. Editorial independence, for example, is essential for the host to maintain journalistic integrity. But conversely, if the community believes the host has abused that power, then the co-op's governance may enable them to remove the host via a vote of no confidence. In such ways, an organic and formalized system of checks and balances can emerge between the centralized and decentralized forces at play, aligning the incentives of the show's producers and the show's community of co-owners.

Of course, different community members may desire different levels of involvement or input. To solve the freeloader problem suffered by a number of DAOs, active participation and activity can be tracked via the wallet holding the NFT. Only active and registered participants in the Coinage cooperative would thus be entitled to any patronage dividends that the DAO/co-op may be in a position to distribute. In the meantime, capping the right to membership in that cooperative with a fixed number of NFTs incentives early adoption. As demand for membership into an ownership role of the show grows with the influence it commands, the supply of the NFTs unlocking said membership remains fixed.

6. NFT Structure

For reasons previously discussed, an invite-only membership to launch serves a purpose in establishing legitimacy as a show cooperative. An invite game where the first minters invite future minters alleviates a level of control from any centralized entity, while also maintaining trust as its core foundation. However, limiting co-ownership to 1,000 NFT holders may not deliver sufficient scale to garner sizable contributions or distribution of show content by Network holders alone. In order to augment the size and scale of Coinage, an additional public tier of 5,000 Coinage Caucus NFTs are warranted. While the Caucus tier splits the same control of the Coinage co-op among a larger group of individuals (5,000 vs. 1,000) and carries slightly fewer perks, both NFTs unlock equal functionality in representational membership upon NFT holders into the Coinage Cooperative following completion of the legal requirements for co-op membership. Both the Caucus and the Network work in tandem to produce and promote the growth of the Coinage ecosystem.

In order to encourage participation and engagement from a wider audience, a Subscriber tier is also warranted. While this tier carries no prospective membership rights to the Coinage Cooperative, the NFT serves a similar functionality to the Caucus and Network NFTs: They unlock ad-free viewing of Coinage content, as well as access to tier-specific gathering places. Thus, the Subscriber tier functions as an accessible entry point for anyone into the Coinage ecosystem.

7. Conclusion

We have proposed a new community-owned system for news media, piloted by the content vertical and membership base most attuned to the technology on which that system is built. We started with the problem of distrust in media and employed a new framework that uses the root cause of that distrust (accusations of bias) as the solution to cancel out conflicting interests and leave objective facts as the prevailing force driving the coverage forward. By employing NFT technology to track participation and co-ownership via a limited cooperative association legal entity, incentives are radically reoriented to break down the wall between a show and its audience. Properly managed, those incentives align both parties in sourcing, producing, and distributing the best show possible, together.

References

[1] Gallup, "Confidence in U.S. Institutions Down; Average at New Low," J.Jones, July 2022

[2] Pew Research Center, "For Local News, Americans Embrace Digital but Still Want Strong Community Connection," March 2019