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namies that are widening the gap between today's haves and have-nots.

The historic correlation between economic growth and wage growth has broken down, largely because returns on human and financial capital are outpacing those on labor. As growth and productivity increase while real wages decline, it is not hard to understand why those who depend solely on wages fall behind, while those who benefit from returns on financial assets get ahead. The best way to break this cycle is to help far more Americans accumulate a sizable ownership stake in the most productive sectors of society.

Imagine if every newborn in America were to receive \$6,000 at birth as a down payment on a productive life. With the magic of compound interest, that sum could grow to \$20,000 or more by the time the child reaches 18. This young adult could then apply his or her nest egg toward various investments, such as college tuition, a down payment on a first home, seed money for a legitimate business, or retirement savings. Given the number of children born in America each year, the annual cost of such a program would be about \$24 billion—roughly what the government squanders on farm subsidies. The benefits, however, would be immeasurable.

Endowing the next generation with resources to invest in its own human capital and financial future would create not only a much broader middle class but also a more self-sufficient,



skilled, and entrepreneurial workforce. Gradually, the U.S. would witness the birth of a mass investor class, with ever more citizens deriving their income from returns on financial holdings as well as from wages. There would be less need for a generous welfare state, and the interests of workers and business would be better aligned.

A Homestead Act for the twenty-first century could also offer inner-city kids a new social contract: If they play by the rules and graduate from high school, then a pot of money will allow them to invest in their own futures. Paired with financial-literacy education in schools, such a policy could help turn a culture of poverty and dependency into one of hope and opportunity.

Those who doubt the political viability of such an idea should think again. Britain recently enacted its own version of accounts at birth and has already funded 2 million of them. In the United States, this is one of the few social policy innovations gaining bipartisan support in a deeply divided Congress. Last year, an odd-bedfellows alliance led by Senators Santorum, Corzine, Schumer, and DeMint introduced the Aspire Act,

calling for deposits of \$500 for every newborn, with an additional \$500 for babies from low-income families. The policy's biggest advocate may turn out to be President Bush, who wants to make bipartisan headway on his "ownership society" agenda now that his Social Security plans have stalled.

Let us hope that historians looking back on twenty-first-century America will see the reemergence of a vibrant middle class. If they do, they will likely credit bold policies that enabled ever more citizens to enjoy the benefits of capital ownership.

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Innovation through Customer Contact Customers Demand Their Slice of IP *

When widespread Internet access first brought companies and customers into unprecedented intimacy, businesses dreamed of transforming purchasers into zealots through personal interaction. The ne plus ultra of such engagement would be collaborative innovation: customers and product developers freely exchanging ideas, experiences, and constructive criticism online. Consumer cocreators would be motivated by a passion for the product. But as companies have increasingly profited from customer suggestions, that passion is being threatened by coolheaded questions about intellectual property rights.

Collaborative innovation bestows three advantages on companies. First, it gives R&D deeper insights into customer behavior and preferences. Second, it reduces the cost of concocting ideas for new and improved products. Third, it enhances loyalty as customers become emotionally invested in the products they help nurture. The practice has paid off handsomely for such industry leaders as BMW in automobiles,

Tiger Electronics in toys, Sony in consumer electronics, General Electric in medical equipment, and Electronic Arts in game software.

The payoff for customers is less clear. Intellectual property resulting from company-customer collaborations is typically owned by the company, and so are the profits generated by that IP. Back when opportunities to contribute to innovation were rare, remuneration mattered less. Today that novelty is wearing thin at the same time customers are discovering their own worth: The most creative innovators may find more than one company competing for their time and ideas. Meanwhile, public battles over file sharing and Chinese piracy have given the public a crash course in the value of IP. Not even the open-source software movement is likely to turn back the tide. Linux may mobilize thousands of developers, but the vast majority of open-source projects have difficulty attracting more than one innovator—the project's founder.

So customers, understandably, are starting to ask questions. If my ideas are

to those technologies will make it easier for developers to innovate, and IBM, in turn, can build on their advancements.

Create customer communities. If customers gain by learning from one another, help them do so. Provide physical or online sites where people can meet, and offer to set the agenda, moderate discussions, and establish communication platforms for follow-up. Customers will benefit immediately from the suggestions of their peers, while your company can pick up new ideas. Cadence, which builds design tools for integrated circuits and electronics, recently set up such a Web-based community. Both company and customers benefit from the free exchange of technical information, best practices in chip design and manufacturing, and suggestions for getting the most from Cadence technologies.

Leverage your brand. Customers who love your brand want to be associated with it. Celebrate their involvement by publishing their names and contributions on your Web site. You might even cobrand products with some

could negotiate a flat fee—or even a share of the royalties—in exchange for her time.

Of course, companies can also simply ask their customers, "What will it take to keep those great ideas coming?" In fact, the next fruitful target for cocreation may be strategies for parceling out cocreation's rewards.

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A Cartel for Oil Consumers *

Oil cartels were originally conceived of as defensive instruments, created by or on behalf of suppliers in a time of excess capacity, with the aim of stabilizing crude oil prices. The idea was that by maintaining sufficient spare production capacity, producers could influence market prices and minimize volatility—a boon not only to them but also to oil consumers (even if they preferred that such stability came at a lower cost). Today, though, with producers working pretty much at capacity and analysts talking of \$100-a-barrel oil, it's consumers who feel a need to band together for mutual defense.

The Organization of the Petroleum Exporting Countries, established in 1960, wasn't the first cartel. In the 1930s, the somewhat incongruously named Texas Railroad Commission regulated the state's oil production to keep prices from plummeting. Around the same time, the big international oil companies sought to stabilize prices through the Achnacarry Agreement, in which they agreed to collaborate on the management of crude output. Both the Texas commission and the Achnacarry Agreement became obsolete in the early 1970s, when U.S. oil production was going full tilt and OPEC states had replaced the oil companies as the primary custodians of the oil spigot.

Of course, regulation of crude oil prices through the management of pro-

Customer-collaborators are starting to ask, "What's in it for me?"

incorporated into a product, why don't I get a piece of the intellectual property? If that product is profitable, why don't I share in those profits? What's in it for me?

Companies that want to keep the ideas flowing must provide concrete incentives to their restive contributors. These five strategies can help:

Show preemptive generosity. Offer customers free trials of the service or samples of the product that incorporates their ideas; or award prizes for the best customer inventions. Where contributions are more significant, consider exchanging some intellectual property for customer engagement. IBM, for example, recently released 500 patents to the open-source community. Free access

customers, whose own brands would benefit from having contributed intellectual property to yours.

Encourage customers to set up shop. Sometimes customers can create their own businesses from engagement with your products. In the 1990s, a very active CompuServe forum developed around a personal information manager called Ecco. Customers shared ideas for new features and improvements, and several built on those ideas to create consultancies and add-on software firms that supported rather than cannibalized the vendor's business.

Pay them. A customer's contributions may prove so valuable that a company will pay to keep her involved. Assuming you can't hire her outright, you