

Chapter VIII

The Social Glue in Open Source: Incomplete Contracts and Informal Credits

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ABSTRACT

Open source has, of late been discussed as a most significant institutional disruption to the way software and, indeed, digital content, in general, evolves and dissipates through society. Credits and their due redemption play a vital yet often underrated role in the development and dissemination of open source. While credits in open source development are often of a rather elusive and informal nature (goodwill, reputation, indirect effects), formal credits have their inevitable role, too. On the one hand, less formal kinds of credits than money and the like often provide for a relatively efficient and viable way of accounting for credits in the development of large and complex software and technology projects. On the other hand, at the intersection of developer communities with end users, there is a distinct need for formal money-based interactions, because informal contracts and credit redemption do work well in communities, but less so in anonymous market contexts.

INTRODUCTION

The importance and value of open source to society is now undisputed. It has, in due course, come to be a metaphor so vivid and laden with interpretative scope that we can barely contain the notion to a meaningful definition. Yet despite its evasive nature, it has valuably reminded us of the world of institutions aside from markets and

firms in a time when economics clings largely unchallenged to superiority in the analysis and construction of our society.

Open source links technology and its progress with economics in a way that overturns much of the conventional wisdom about the institutions of capitalism (Weber, 2004). No more is capital and the employment of labour by capital the primary means of organising production and allocation of

resources. Open source empowers people in an unheard of fashion to create their resources, share them with others, and build unimpededly on the work of others (Stallman, 1999). This novel mode of production is often more efficient than previous ones based on control and exclusion, even for public companies accountable to profit-seeking shareholders (Grand, von Krogh, Leonard, & Swap, 2004). And it goes beyond software: As the hype over open source settles, we have come to realise that *open innovation* may not only govern the production of software, but that of intangibles in general, most of which have invariably fallen within the realm of the Internet's all-encompassing digitalisation (Chesbrough, 2003; Ogawa & Piller, 2006).

The connection of people via the Internet is creating value in itself, synergies impossible to obtain by command-and-control structures, and entirely new opportunities for experimentation with technologies. Bertolt Brecht has mused on the value of such a system long ago:

The radio would be the finest possible communication apparatus in public life, a vast network of pipes [...] If it knew how to receive as well as transmit, how to let the listener speak as well as hear, how to bring him into a relationship instead of isolating him. (1932, emphasis added)

Today, we stand on the verge of a world in which any receiver may be a supplier, too, through the design and capability of our technologies, but also through the social forces that have overcome established practices of command and control.

It is not our objective here to work through all relevant issues raised by the dawning *democratisation of innovation, production, and consumption* (to paraphrase the metaphor introduced by Hippel, 2005), but to highlight one important, and often overlooked aspect, inherent to all such contexts:

the accounting for, and redeeming of, informal credits obtained in incomplete contracts settings. This is not to say that such transactions and according credit frameworks have never existed. Ever since people have started to specialise their efforts to raise the cumulative value of their work, they have had to devise means of accomplishing the due allocations. But we have, of late, become so preoccupied with the supremacy of money as a means of credit that we sometimes forget that money is but one kind of credit, and not always the most sensible one to employ as a means of mediating transactions. We believe that informal credits provide a valuable means of understanding open source and open innovation processes. The absence of price tags and the history of open source as a primarily social movement do not foreclose the existence and viability of credits. With our approach, we identify a promising angle from which to analyse open source practices of production and dissemination without having to resort to bold claims of open source being a completely novel mode of production distinct from market and firm. Thus we make a cautious step towards a deeper understanding of open source practices, and one that firmly relates to existing knowledge about credits, contracts, and incentives.

The chapter proceeds as follows. First, we will briefly look at the notion of open source, and the motivations behind contributions to such processes from the solid and well-researched microperspective. Then we will go on to consider the equally sound subject of informal credits and incomplete contracts in commerce in a general manner. By doing so, we have set the stage for a deeper understanding of the factors that make for the sustainability of open source practices, to be elaborated in the remainder of the chapter. Thus in section 3, we turn to the social institutions of open source, and introduce our credit approach to open source. At last, we provide a conclusion and further research directions.

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