Stanford eCorner

A New Model for Philanthropy

Peter Diamandis, *X PRIZE Foundation*

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Traditional philanthropy invests in a limited circle of people, whereas the X PRIZE, says its founder Peter Diamandis, funds a broader landscape of people and ideas that succeed. Diamandis is encouraging large foundations like the Carnegies and the Fords to consider adding cash incentive prizes into their portfolio of philanthropy, as he believes the rewards from this new form of public enrichment and exploration are much richer.

Transcript

Traditional philanthropy says, "I like what you're doing. I'm going to invest and give you money to go and accomplish it." It's very much like traditional venture capital. You don't know everybody in the world working on this area. You're typically betting on a single individual with limited knowledge of the arena. And you're funding them open-loop made with a limit with how much money willing to invest, hoping that they will accomplish to goal, but without knowledge that you may get there. It sometimes works, sometimes it doesn't work and it's an important part of the equation. The X PRIZE says the opposite. It says, "I'm putting up the prize money and I'm going to only pay the winner." So, it's very efficient. You don't pay anyone who tries. You only pay the person who accomplishes it.

Typically, you will have ten-fold, so the Ansari X PRIZE had a ten-fold increase. Ten million dollars spent on the purse, - a hundred million dollars spent by the teams. The Orteig prize was a 16-fold, the Kramer prize about a 40-fold. Historically, you have 10 to 40 x amount of money spent by folks like Paul Allen, or, if you imagine, if Larry Allison spent money on winning - competing for a prize versus - and he does but the America's Cup which is zero cash, that's infinite. But for a prize that had a social goal or purpose at the end of it. So, it's a way of attracting capital to leverage your philanthropic dollars. So, for me, I'm out there now speaking to the Carnegies and the Gates foundations and saying - incentive prizes should be a tool in your portfolio mix. And to pick a number, say 10% of all the money you give away should be in the form of prizes.