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Truth Seal Corp. TruthSeal & TruthMarket come to an end

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Truth Seal Corp. Obituary: *TruthSeal & TruthMarket come to an end*

We created Truth Seal Corp. in early 2011 to make truth telling profitable. Our basic idea was that speakers have an interest in being believed and, in a time of rising and justifiable cynicism, one way to earn listeners' credibility would be to guarantee the veracity of your statements. If truth telling could produce profits, it would justify people spending money to hone their claims and warrant their truthfulness. This could potentially bring enough capital to justify curating a large volume of high-value claims.

Our first goal was create an independent not-for-profit business, but the IRS rejected our application because they didn't want any nonprofit using its own name to highlight a claim by any for-profit company. That pretty much made the not-for-profit approach impossible. So in the middle of our first year, we converted to a for-profit corporation.

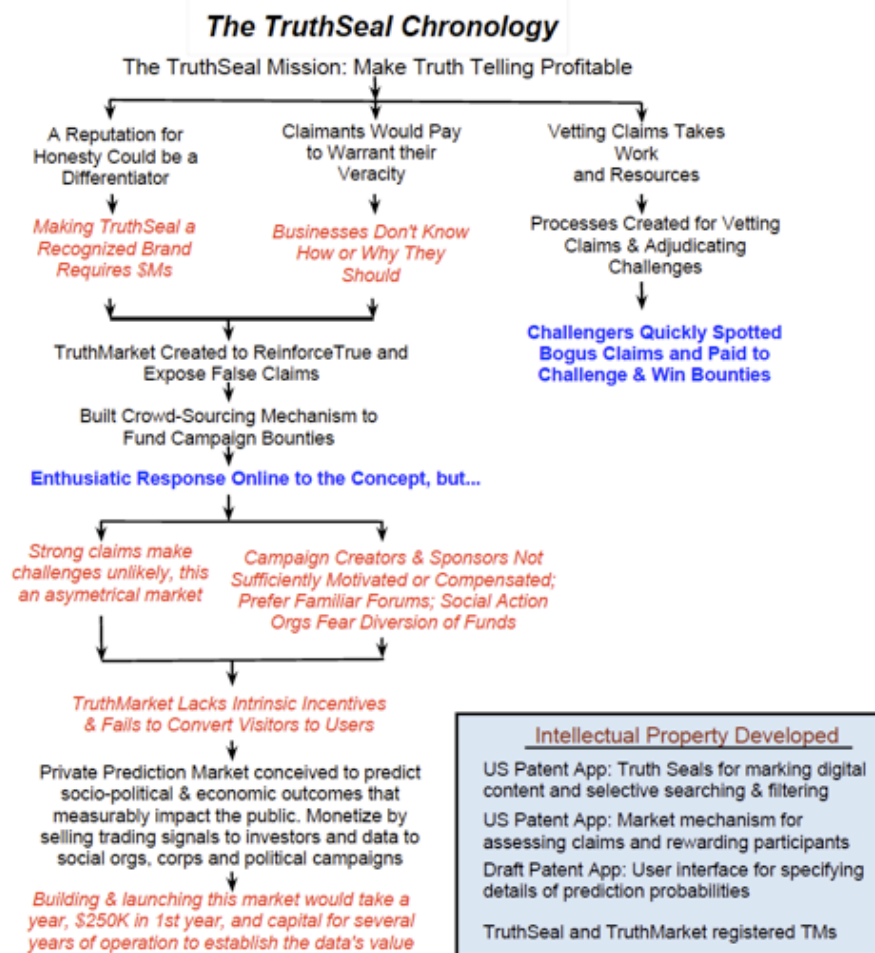
The initial business was established to allow people or companies to submit claims, have them vetted, and then have them issued with TruthSeal™ marks that would warrant their validity. The second part of the business would administer challenges to such marked claims. A challenger would pay a modest fee, submit data adequate to refute the claim, and we would assess that challenge. When the challenger's case was affirmed, the guarantee would be paid as a bounty from the guarantor's account. In that case, the TruthSeal mark would be invalidated, the guarantor's reputation for honesty deprecated, and the challenger would gain reputation and reward.

We made limited efforts to sell TruthSeals to businesses. In every case they demurred, feeling no competitive pressure to formulate and warrant valid claims. They preferred to wait until it became important to their customers.

We learned that TruthSeals were thus premature in early 2012. At that time, we thought it might be possible to use crowd-sourced funding to build support for important claims that people were concerned about. We created TruthMarket™ as a place where true statements (TS) and bogus statements (BS) could be promoted with bounties. Again, challenges would occur the same way, and if the campaign were refuted, the challenger would gain reputation and money. In this case, however, the initial campaign creator could win 20% of the unpaid bounty if a campaign became funded and expired unrefuted. The additional money, 80% of the bounty, would be returned to the co-sponsors of the campaign, netting them about half to two-thirds of their individual stakes back as part of a winning campaign.

It took just a few months to realize that, although TruthMarket was interesting and stimulating to many people, it was not compelling enough to co-sponsors to make a go of it. This was strike two in our efforts to make truth telling profitable.

We prepared an overview graphic explaining our chronology. It leaves out many details, but we expect it conveys the most important points. Here it is:



When we started TruthSeal in early 2011, the staggering growth of false claims in public dialogue motivated us to develop a business that could make truth telling profitable. Surveys indicated that public trust was deteriorating. I wrote a book and several papers on the lack of sanctions for false claims and the absence of a mechanism to reinforce truth telling. The central hypothesis underlying our business model was that commercial and political organizations could gain competitive advantage and public trust by guaranteeing the truth of their claims with a cash bond – effectively putting their money where their mouth is. While there are many people who question whether truth is sufficiently objective to be guaranteed, we were able to establish procedures for vetting and adjudicating claims that were carefully expressed with clear definitions of falsification criteria. With practice, that process could become routine.

For proof points, we created a number of public claims and guaranteed them ourselves. Whenever a claim was bogus, it appeared that people on the Internet quickly found it and willingly paid to challenge it. When they could see a 15 to 1 return for a successful challenge, they willingly jumped at it. However, the tough problems we encountered had to do with marketability and buyer incentives. Attempts to sell Truth Seals to businesses to guarantee their public claims failed for two reasons. The notion was (1) alien and untested in their sectors and (2) perceived as exposing them to unnecessary challenges and corresponding risk. So we reasoned that TruthSeal was premature. A secondary hypothesis that TruthSeal might better serve companies in crisis was not tested, given the perceived difficulty of persuading companies already under fire and likely working with crisis consultants.

The reluctance of companies to put up the money to experiment with truth guarantees led us to speculate that groups of individuals could band together to promote truth. Hence, we created TruthMarket over a 9-month period.

Following our launch, it took about two months before several notable weaknesses became obvious. Basically, it's a non-dynamic market with inadequate incentives. The campaign creator may be motivated by the cause of truth and a 20% reward for an ultimately successful campaign, but not enough other people seem willing to jump in and co-sponsor. Incentives for them are minimal. Though incentives for challengers are good, tightly constructed campaigns have claims that are difficult to refute, by design. As a consequence, the campaigns are more like stakes in the ground rather than battles being waged with daily changes.

Given these fatal weaknesses, we have been investigating alternatives. Picking up on the thread of "dynamic markets," we've investigated prediction markets for issues of political and economic impact. Prediction markets have been around for a decade, with the most well known being the Iowa Election Market and InTrade. Basically, these markets allow people to wager on outcomes such as which party will control the Senate or whether a gun control bill will become law. As indicators of public sentiment, prediction markets have been shown to offer greater accuracy than polls in forecasting outcomes.

There are many legal restrictions on prediction markets. We basically conceived of a private prediction market that would work like Nielsen Ratings for TV and other media: We would enlist people to participate in various important predictions and incentivize them to be active. We would extract from their predictions data that would be valuable to analysts, traders, investors and special interests. We talked to potential customers who might buy those extracted signals, but they cautioned that it would take years of data to establish our predictive value. This business not only strayed far from the initial mission, but also was too expensive and speculative for our taste.

The last item on the graphic lists some of the intellectual property we have developed, by our small, but prolific team.

At this juncture, we are where many start up business arrive: We have decided to stop flogging this horse, because the conditions for success are not present. We hope somebody can crack the essential nut, finding a way to make truth telling profitable. It seems to me a fatal flaw in the design of civilization that no such mechanism exists. Because of this shortcoming, money mostly fuels the self-interests of the rich and powerful. In the Information Age, this means people increasing consume, believe, and are shaped by the memes of those in a position to control them.

Many people contributed significantly to our efforts to make this concept go. I want to acknowledge their efforts, which ranged from programming and graphics to legal and fiduciary contributions. Here's a roster of those contributors to whom I owe gratitude and admiration:

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Thanks for your interest and support. If you have interest in picking up where we have left off, let me know if there's any way I can help you succeed.

<signed>

Rick Hayes-Roth

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