



Epsilon Theory

Harvey Weinstein and the Common Knowledge Game

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I've written a lot about the Game of Markets, aka the Common Knowledge Game, most recently in [Sheep Logic](#). The thing about the Common Knowledge Game, though, is that once you start looking for it, you see it *everywhere*, not just in our investment lives, but also in our social and political lives. The public unmasking of Harvey Weinstein as a serial rapist (that's the word, people) is an archetypical play of the Common Knowledge Game, and recognizing its dynamics should open everyone's eyes to how other high and mighty people and ideas can take a fall.

The core dynamic of the CK Game is this: how does private knowledge become – not public knowledge – but *common knowledge*? **Common knowledge is something that we all believe everyone else believes.** Common knowledge is usually also public knowledge, but it doesn't have to be. It may still be private information, locked inside our own heads. But so long as we believe that everyone else believes this trapped piece of private information, that's enough for it to become common knowledge.

The reason this dynamic – the transformation of private knowledge into common knowledge – is so important is that the social behavior of individuals does not change on the basis of private knowledge, no matter how pervasive it might be. Even if everyone in the world believes a certain piece of private information, no one will alter their behavior. Behavior changes **ONLY** when we believe that *everyone else* believes the information. **THAT'S** what changes behavior. And when that transition to common knowledge happens, behavior changes *fast*.

The classic example of this is the fable of The Emperor's New Clothes. Everyone in the teeming crowd possesses the same private information – the Emperor is walking around as naked as a jaybird. But no one's behavior changes just because the private information is ubiquitous. Nor would behavior change just because a couple of people whisper their doubts to each other, creating pockets of public knowledge that the Emperor is naked. No, the only thing that changes behavior is when the little girl (what game theory would call a Missionary) announces the Emperor's nudity *loudly enough so that the entire crowd believes that everyone else in the crowd heard the news*. That's when behavior changes.

And so it was with Harvey Weinstein. Apparently it was no great secret that he is a serial rapist. Apparently everyone in Hollywood was familiar with the stories. It was ubiquitous private knowledge,

and pretty darn ubiquitous public knowledge. I mean, if you're making jokes about it on *30 Rock*, it's not exactly a state secret.

But there was never a Missionary. There was never anyone willing to shout the information so loudly and so publicly that it became common knowledge. That's what Rose McGowan did, and that's the power of Twitter and modern celebrity – to establish Missionaries and create common knowledge.

Once that common knowledge was created, once all the private holders of all of Weinstein's dirty secrets believed that *everyone else believed* that he is a serial rapist, then everyone's behavior changed on a dime. His publicists and lawyers and partners and colleagues and board of directors and wife were shocked ... shocked! ... to hear of his behavior, and certainly would no longer be representing him or working with him or associating with him ever again, even though NOTHING had changed in the information they *already* possessed. Ditto with Weinstein's other victims. Their behavior changed, as well. That's not a knock or a slam on them. In the absence of common knowledge, staying quiet – whether you're an abettor or a victim – *is the rational thing to do*. In fact, this is what Weinstein and his abettors count on, that their threats and shaming and bribes will *set up a Hobson's Choice* for victims. Sure you can go public, but no one will believe you and then we will ruin you. So yeah, go ahead. It's your choice. Of course no one goes public, because *a Hobson's Choice is not a real choice*. Only a victim with Missionary power (and that's a really rare thing) has the option to not just go public with the story – *because simply going public is not enough to change behavior* – but to create common knowledge with the story.

What are the broader lessons to take from all this? I've got two.

First, there's enormous economic, political, and social power in being a Missionary, and social media has completely transformed the Missionary creation process just over the past few years. This is why it matters how many Facebook followers you have and how many RTs you get on Twitter. This is why Donald Trump adopted social media so early and used it so prolifically. Twitter in particular is a Common Knowledge platform of great power. Having lots of followers isn't "monetizable" in the sense of traditional marketing. But that doesn't mean it's not incredibly valuable. Put differently, *celebrity* in and of itself has never been a greater source of political power than it is today. Why? Because Common Knowledge Game.

Second, there's a lot of ubiquitous private information about powerful people and powerful ideas trapped in the crowd today, just waiting for a Missionary to release it as common knowledge. The more powerful the person or the idea to be brought low, the bigger the Missionary (and platform) required. But nothing's too big, and once the common knowledge is created, behavior changes fast. My pick for the big idea that gets taken down? The idea that inflation is dead. We all know it's not true. We all know in our own heads that everything is more expensive today, from rent to transportation to food to iPhones. But it's not common knowledge. Each of us may believe that inflation walks among us, but none of us believes that everyone else believes that inflation is here.

Not yet.

But we're only one big Missionary statement away.

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