

Things are different this time!

And what is different is that economics is no longer the science of allocating efficiently scarcity.

We live in a world of knowledge. And it is not because someone uses knowledge that there will be less to go around!

## Things Are Different This Time

As our more astute readers will have noticed, the above title is our mantra, and we do not shy away from it. In fact, on the first page of our website, we write: “**The technological revolution** we are living through is multiplying Man’s intellectual strength. **The financial revolution** is putting capital within reach of an ever growing number of aspiring entrepreneurs. It is also unlocking wealth from places where, until recently, it laid dormant (real estate, small businesses...). **The healthcare revolution** allows an ever increasing number of people to live longer, and healthier lives. At the same time, it has started to restrain the rate of population growth in a number of countries, sometimes with dire consequences. **Emerging market countries are finally emerging.** Gone are the worries about the next harvest and whether a widespread famine would wipe out the population. Instead, large populations can now aspire to levels of wealth and consumption that, until recently, had remained the privilege of a lucky few. **Changes in Business Models** mean that companies need less capital than they did in the past. As an ever shrinking percentage of total income is spent on essentials (food, clothing...) and a growing share of income is spent on leisure, travel, entertainment, we are witnessing a **Lifestyle Revolution**. The combination of all these factors might help explain why History, in recent years has “failed to rhyme”. **It might also lead to the conclusion that things are different this time”.**

But there is a much more important way that “things are different this time”, one highlighted by Alvin & Heidi Toffler in their latest book [\*Revolutionary Wealth\*](#) (a must read!). In the book, the Tofflers identify ten characteristics which make knowledge a different input to wealth creation altogether. And given that the aim of our research is to understand the processes by which wealth is created, we thought we would share the Toffler’s insight on knowledge it with readers.

1. Knowledge is inherently non rival: if you use a Microsoft program, it does not mean that there is less for the rest of the world.
2. Knowledge is intangible: We can't touch it or slap it, but we can, and do, manipulate it.
3. Knowledge is non linear. A small breakthrough can lead to huge results.
4. Knowledge is relational. Two apparently separate pieces of knowledge can yield huge results if and when combined.
5. Knowledge mates with other knowledge. Knowledge is very promiscuous and very fertile.
6. Knowledge is more portable than any other product: Once converted to zeros and ones, it can be distributed instantaneously all over the world.
7. Knowledge can be compressed in symbols and abstractions.
8. Knowledge can be stored in smaller and smaller places (including, apparently, Louis’ head).
9. Knowledge can be explicit or implicit, expressed or not expressed, shared or tacit. There is no tacit truck.
10. Knowledge is hard to bottle up. It spreads.

Wealth creation is **for the first time in History the result of using something which is in unlimited supply**, and which has a marginal cost of zero. This puts into question the whole intellectual framework on which the science of economics is built (allocating scarcity rationally). What is the use of marginal analysis when the marginal cost is zero? The notion of markets is changing in front of our very eyes. A market in which the supply is infinite is not a market. Neither the economists, nor the accountants, nor the analysts have done enough work to understand the implications. What we know is that the tools to measure or manage a knowledge-based economy will be profoundly different than those necessary to measure an industrial based economy. It’s not about scarcity anymore.