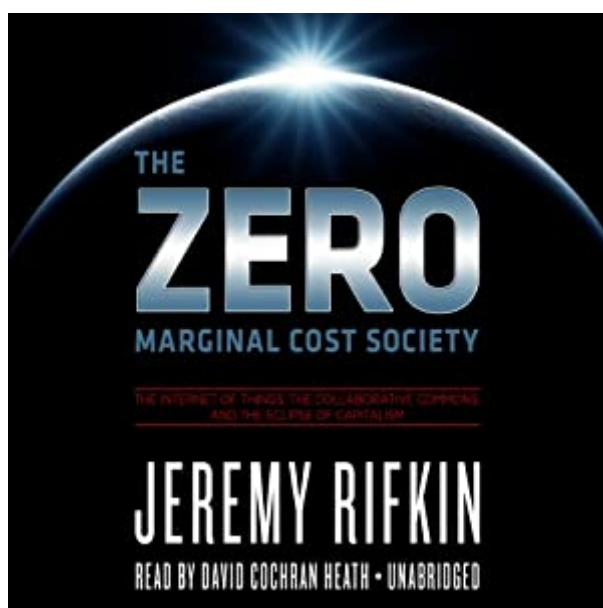


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# The Zero Marginal Cost Society: The Internet Of Things, The Collaborative Commons, And The Eclipse Of Capitalism



## Synopsis

In *The Zero Marginal Cost Society*, New York Times bestselling author Jeremy Rifkin argues that the capitalist era is passing—not quickly, but inevitably. The emerging Internet of Things is giving rise to a new economic system that will transform our way of life. In this provocative new book, Rifkin argues that the coming together of the Communication Internet with the fledgling Energy Internet and Logistics Internet in a seamless twenty-first-century intelligent infrastructure—the Internet of Things—is boosting productivity to the point where the marginal cost of producing many goods and services is nearly zero, making them essentially free. The result is that corporate profits are beginning to dry up, property rights are weakening, and the conventional mind-set of scarcity is slowly giving way to the possibility of abundance. The zero marginal cost phenomenon is spawning a hybrid economy—part capitalist market and part "collaborative commons"—with far-reaching implications for society. Rifkin describes how hundreds of millions of people are already transferring parts of their economic lives from capitalist markets to what he calls the global Collaborative Commons. "Prosumers" are making and sharing their own information, entertainment, green energy, and 3-D printed products at near zero marginal cost. They are also sharing cars, homes, clothes, and other items via social media sites, redistribution clubs, and cooperatives at low or near zero marginal cost. Students are even enrolling in free MOOCs, massive open online courses that operate at near zero marginal cost. And young social entrepreneurs are establishing ecologically sensitive businesses using crowd funding as well as creating alternative currencies in the new sharing economy. In this new world, social capital is as important as financial capital, access trumps ownership, cooperation supersedes competition, and "exchange value" in the capitalist marketplace is increasingly replaced by "sharable value" on the Collaborative Commons. Rifkin concludes that while capitalism will be with us for the foreseeable future, albeit in an increasingly diminished role, it will not be the dominant economic paradigm by the second half of the twenty-first century. We are, Rifkin says, entering a world beyond markets, where we are learning how to live together in an increasingly interdependent global Collaborative Commons.

## Book Information

Audible Audio Edition

Listening Length: 14 hours and 15 minutes

Program Type: Audiobook

Version: Unabridged

Publisher: Blackstone Audio, Inc.

Audible.com Release Date: April 1, 2014

Whispersync for Voice: Ready

Language: English

ASIN: B00J28WL0S

Best Sellers Rank: #33 in Books > Audible Audiobooks > Business & Investing > Economics  
#85 in Books > Business & Money > Economics > Theory #100 in Books > Politics & Social  
Sciences > Politics & Government > Specific Topics > Globalization

## Customer Reviews

The Zero Marginal Cost Society is a worthwhile read about the distributed collaborative economy that we have partially been moving towards during the second age of the internet revolution. There are some incredibly important ideas to take away from the book like the way manufacturing can change with 3-D printing, how asset utilization will improve with things like airBnB and how education will be socialized with things like MOOC. The lessons from the book in certain categories I think are excellent and deep but the book is also too sensationalized with misconceptions on the cost on engineering and misapplied economic ideas. To try to take the book at face value would be a mistake in my opinion. The book would have been a lot more powerful had it been more self reflective about the need for grandiose language. The book is split into 5 sections. In the first section the author gives his views on capitalism in history and argues that it is not the natural state but rather an evolved state that came about due to the end of serfdom and the division of labor that came from specialization. As society moved from subsistence scarcity to tradeable abundance we lost the community and common ownership and moved to the guilded age with water and wind power. As the railroad and energy revolution came about from coal and oil we developed a logistical network to communicate and coordinate better and allow for greater tradeability that entrenched the capitalist spirit which was required for the capital expenditure needed for the architecture of logistics and communication. There is a nostalgia of the values of the community when no one owned anything, though I am quite sure if you were to ask a Russian serf if they preferred having the land belonging to him or him belonging to the land, he would prefer the former. This economic history of the world is interesting but far from decisive and is filled with implied values masked as substantive fact. The author then goes into some economic ideas and the declining marginal cost of manufacturing. The author starts out by discussing that economics textbooks argue that in perfect competition (not the real world) the price of a good is equal to its marginal cost. Therefore as marginal costs come down due to 3D printing, Moore's law of PV cells (made up by the author and

not an empirical fact) the cost of manufacturing and energy will go to 0 and will end the capitalist paradigm we are so used to. The author has misconceptions about solar panel cost deflation, solar wafers do not have a marginal cost of 0 and solar efficiency is stuck in the mid teens at the best of times with the incremental efficiency gains declining in time- these are fundamental engineering problems. I do hope that solar and wind costs decline to make them the source of our energy but the sound bites used by the author are self serving not even handed. The author discusses 3-D printings ability to change the nature of manufacturing (true) but then hyperbolizes the method into ideas like 3-D printing 3 - D printers and heralding the ago of abundance. Examples used highlight the flaws in the reasoning by talking about how tissue can be printed (in infancy stage but true) but fails to remind the reader that its not the printing that's necessarily expensive its the medium, having the right cellular material to use the printer to align is not marginal cost 0... Things like this can add up to frustrating reading at times. The author also discusses MOOCs and how they are leveling the educational playing field and are already gaining students in every country around the world. The author discusses automation as something that economists ignore as an ingredient to rising unemployment (incorrect, this is something that people have focused on for centuries) and I would like to highlight that Japan, which has the highest density of robots in its manufacturing process and is home to the best robotics company globally has extremely low unemployment. The author then focuses on the way to build out the infrastructure required to sustain a smart society. The questions about whether the natural monopoly of telecom and smart electricity should be handled by the private sector or government are discussed. The author then moves back to some fundamental ethics and discusses the supposed fallacy of the tragedy of the commons. Game theory is a subject of the 20th century that has evolved to deal with trying to solve coordination problems in which people acting in their own self interest end up with outcomes that are worse for themselves and society which goes against the grain of the logic embedded in wealth of nations. One of the first examples focused on besides the famous prisoners dilemma is the tragedy of the commons in which when given communal rights people will overuse the communal space for self interested reasons making the situation worse for everyone. The author discusses how this is wrong using a response by an academic lawyer called the comedy of the commons in which the outcomes assumed in the game theoretic example are wrong empirically. This section is interesting but off mark in its criticism. The tragedy of the commons is rightfully focused on as an example of how institutional arrangement can create suboptimal outcomes - it is not about the nature of man. People who assume all commons will end up like the tragedy of commons are massively over reaching. Families can enjoy gardens together but the entire population of a country might over run it. The

argument that the author makes in this section is about the collaborative nature of man and how the problems of overfishing are things that can be self regulated by caring communities. Hmm, maybe in groups of 100, not in groups of 10,000. The nature of association of a community is what determines the applicability of the game theory constructs, they serve as frameworks of analysis only and the author treating them as belief systems of the nature of man can only be directed towards individuals, not the field of study. The second to last section is among the most important and discusses the rise of the collaborative economy. The world is going towards one in which assets can be better utilized. From a data analysis perspective this is already happening, UPS monitors its trucks and improves routes to maximize asset utilization. From a community perspective people are better able to subscribe to services that allow them to use a pool of assets that they only need sporadically to improve general asset utilization. Air bnb being an example. The over production of underutilized assets is one that a coordinated logistics network will help us to minimize and is a societal waste. This as an arena is something to watch very carefully as it will put many entrenched businesses in awkward businesses. The author also discusses getting funding from the internet through crowdsourcing. The authors last section is the conclusion and a look at things like climate change and the sustainable environment and the things that can derail his vision. There is an incredibly important idea embedded in this book that is the nature of the economy is changing and aspects of it are getting decentralized like powering your house educating yourself and consumer to consumer sharing. There is much of the book which seems visionary but is in fact disingenuous. The marginal cost of solar panels isn't 0, the marginal cost of printing things is not 0 (though it will improve forms of manufacturing substantially). There are many times in which the author makes an argument which then conflicts with another observation. He discusses how you can print a car and how its marginal cost will go to 0 but then notes much later that auto companies with incredibly well machined manufacturing techniques already produce with extremely low margins. The author argues that we are close to abundance, I wish for that day but the directions the author is highlighting don't bring us there as the engineering costs of constructing and the depreciation of the capital stock (solar panels don't have infinite life) will ensure the cost of manufacturing is non-zero. There are important lessons in this book though they are surrounded by hyperbole and at times highly selective information that could be categorized as misinformation.

I am just getting started and already loving this book! I am feeling a deep resonance to my work since the Internet first became a public medium... particularly what we used to call "community networking" ;-). I'd love to be discussing with others who are reading this, or have read it, or anyone

interested in the possibility of our actively co-creating this new emerging Collaborative Commons. I just created a new group on LinkedIn - Collaborative Commons - <https://www.linkedin.com/grp/home?gid=7000557> - join me there!

It was difficult to decide how many stars to give. I give 3 1/2 stars " five for the strengths and two for the weaknesses but because there are no half-stars let's round this up to four. This book on "digital transformation" is interesting but gives mixed feelings. The book paints a very big socio-economic picture compared to, for instance, Code Halos (written for managers on the same topic) or Zero to One (written for entrepreneurs). The optimistic vision and objective of (almost) free intelligent energy and logistic networks is appealing, interesting and believable even if timing remains a challenge. To my mind the author actually writes that we don't have energy and traffic problems " at least when we think a couple of decades not just a couple of years ahead. These issues have eclipsed, they belong to the bygone industrial world. This vision deserves five stars even if it is a bold extrapolation of selected current phenomena. I recommend this book those politicians who imagine that they can and should tax energy and traffic. On the other hand, to my mind the book suffers from a static and deterministic world view. Even if there exist commons-based "business models" outside the Internet, such as the ancient and existing Nordic "freedom to roam", isn't it useful to think this as a dynamic value migration rather than the eclipse of capitalism. Some businesses disappear and shrink when value migrates to customers who use the new lower cost structure for their benefit to create new businesses and new work. "Freedom to roam" has meant people hike freely and pick free berries and mushrooms to eat and for sale and to make products. This does not mean the end of the work but that the work migrates to other areas, maybe towards prosumerism. This is what has happened over and over again especially in digitization, but the shift from supplier-driven "age of finance" to customer-driven "age of production", a.k.a. techno-economic paradigm shift described by Carlota Perez, is not related to digitization only. I like to compare this book to Alvin Toffler's optimistic visions of prosumerism, electronic infrastructure and powershift. On the negative side parts of the book contain oversimplifications and shallow reasoning. It lacks a method and suffers from confirmation bias when looking for any weak signals that are supposed to prove its long-reaching conclusions.

I like his ability to put so many different concepts, history's, and trends together. I feel that I can now see the direction that the whole world is heading and how all the players will contribute just by

our shared instinct to survive. Like Buckminster Fuller said many years ago, we are all ridding on a big space ship we call the earth and its the only one we will ever have so to survive, we have no choice but to use the ship wisely, with no one left out.

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