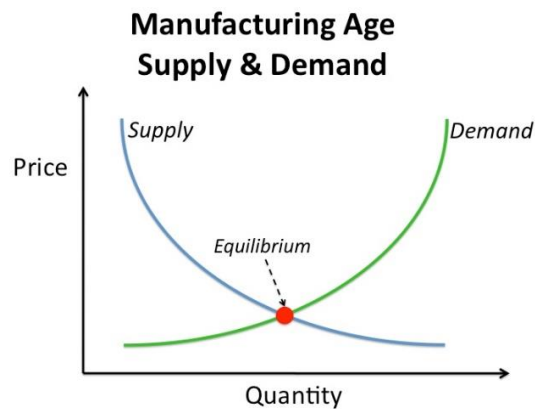




Knowledge Economics Rowland Chen

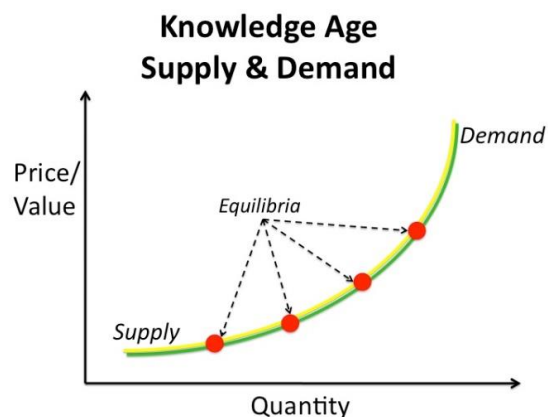
What are the new laws of economics in the information age? In the manufacturing age, the quantity of goods or services demanded and subsequently supplied determine the price of goods or services. The laws of supply and demand dictate at what price and quantity the economy operates most efficiently.

Manufacturing Age Economic – Physical Assets



In the information age, the laws of supply and demand still apply. In a true knowledge economy, knowledge and information are demanded and supplied in a manner similar to an industrial economy. However, there exists a fundamental difference between economies based on physical assets and those based on knowledge assets.

Information Age Economics – Knowledge Assets



The shape of the knowledge demand curve follows the same path as the manufacturing demand curve - the more products or information are demanded, the higher the price the market will bear.



The shape of the knowledge supply curve (in yellow), on the other hand, does not follow the same principals as the manufacturing supply curve. For a manufacturing supply curve, the price of a physical asset decreases as its supply increases. For a knowledge supply curve, in a frictionless economy, the price of a knowledge asset increases as its supply increases. In other words, the more information is used by people the more valuable it becomes to the macro-economy.

The knowledge consumption function is based on the principle that as knowledge is utilized, more knowledge is generated. Knowledge follows a fundamental law of "1 + 1 = 3". Two pieces of knowledge come together to form new knowledge. The supply of knowledge increases as knowledge is used. Knowledge is quite the opposite of physical assets that are of limited supply.

What are the shapes of the supply and demand curves for the output of your business? What are the shapes of the supply and demand curves for the output of your individual work? Do you or your organization develop and distribute knowledge that follows the knowledge supply curve?