Jeremy Rifkin’s utopia of the economy of abundance

The bankruptcy of the neoliberal thought as some people wish, or brutal distortions of its essence as others would prefer, triggered a series of discussions, proposals, and ideas on the future of the world economy. Precisely – the world economy, and not the global economy, as the crisis, destruction or maybe even bankruptcy reached the world economy based on the neoliberal theory, and the globalisation is still doing well, whether they like it or not...

In these conditions, the new proposals and scenarios for the further development of the situation in the world economy should not come as a surprise. The discussion is centred on the possibility of moving away from the current paradigm based on the market mechanism and the homo oeconomicus model, meaning the selfishness driving the economy and the tendency of individuals to maximise their usability towards the empathic and moral cooperation of equal prosumers. In other words, will the thesis cited by B. Mandeville (1670-1733) remain true that all is false and deceitful [Mandeville, 1705], or will the ethics be appreciated again, both in everyday as well as in social (economic) life?

In the group of the most active thinkers among those searching for the new ways and possible paradigms – naturally – there are economists. According to T. Sedláček, it results firstly from the fact that economics wants to understand everything, and secondly, from the fact that modern people expect that the economists will tell them what is right and what is wrong [Sedláček, 2015].

Such an interesting, new, and in some respects innovative concept is the idea of the zero marginal cost society and the economy of abundance of J. Rifkin [2016]. However, the problem is that the Rifkin’s vision is fragmentary – it applies only to certain areas of the essence of society and economy, and some proposals are even self-contradictory or unsupported by evidence.

In accordance with the intention of the author of these words, the comments below are not a review of the J. Rifkin’s work, but a voice in the discussion on the future of the world economy, possible directions of changes and development trends.

The main Rifkin’s thesis is concerned with the end of the age of capitalism as the way of organisation of the society and the economy (business). The capitalist system, which for more than ten generations was a fascinating vision of human nature, and a determinant of social, political and economic life, has reached its peak and entered a period of decline. Its dominance is supposed to end around the half of the 21st century, although, as stated by Rifkin himself, the signs indicating a fundamental transformation into the new economic system are still weak, and almost anec-
The age of capitalism is going to be followed by Cooperative Commons.

The phenomenon of the zero marginal cost quickly spreading to new industries is supposed to lead to the new economic paradigm. To be precise, let us add, in the words of Rifkin — almost zero marginal costs. And this means that the consumers will receive and not purchase an increasing portion of the products and services. And even if they would purchase them — it would be for the minimum price. Inevitably, this will lead to the evolution of the economy of scarcity into the economy of abundance, as a dominating model of organisation of the future economic life. This vision is absolutely attractive and compelling. Only the question is if it is real and possible?

This new economic paradigm will indicate some key trends in the scope of organisation of the economy, and the entire society. The transition from the dominance of the market (private sector) and ownership — to the dominance of cooperative commons is superior — the commons that are intended to replace the ineffective state and the greedy market.

From market to collaborative commons

Communities have a long history in the economic reality of the world. Genealogically, the community was the first organised form of human relationships. However, what is going to replace the market in the organisation of the economy in the near future is a different, new form of community.

The new forms of collaborative commons (so-called social commons) are in principle communities others than those known from the history — feudal communities. It is no longer an “open pasture”, ruthlessly used by all shepherds — a pasture open to all — to use the example of G. Hardin [1968]. The new commons are organised institutions with the system of sanctions and penalties for non-compliance with the rules of functioning, laying down certain limits of goods possible to be enjoyed, having relevant authorities, monitoring the activities of the commons and their members, and finally, having developed, adopted and enforced methods of solving internal conflicts.

According to Rifkin, the contemporary community is a place where billions of people are strongly involved in social aspects of life, creating more what can be called a global cooperative commons.

Of course, the question arises, what determines the superiority of the communities over the institution of the market? The equivalence of the participants of the commons is quite widely considered to be this fundamental property. People no longer want to tolerate market institutions and companies, which are vertically organised, have strictly defined hierarchies, where the main benefits are appropriated by a narrow group of “supervisors”. They strive for such organisation of mutual relations, where the benefits are divided in accordance with their contribution (material and intellectual). The capitalist market is based on selfishness; on the other hand, the social commons — on the need to establish links and to share with others.

Of course, there is no evidence that the commons are or will be a more effective way of management than the market mechanism in the future. For these reasons, also Rifkin argues that the capitalist market is unlikely to disappear, but it will no longer define the economic plans of civilisation, and still it will remain an important niche player.

When addressing the role of communities in the history of civilisation, Rifkin strongly emphasises the role of communities in feudal agriculture. He even claims that in the past, the community turned out to be a relatively effective management model in agricultural communities producing for their own needs.
sition raises serious doubts on what the author had in mind, as it is well known that the European feudal agriculture was based on the manorial system [Pretty, 1990, Jezierski, Leszczyńska, 2003], in Poland taking the form of royal or ducal awards, based on the succession right and not on the community system [Gloger, 1985]. The basic form of organisation was a peasant farm, levied with fees, changing in time, paid to the feudal lord, and in Poland to the landlord. Since the 15th century, in a substantial part of the countries, especially Central European countries producing for export, the basic unit in agriculture was a grange [Jezierski, Leszczyńska, 2003].

Of course, agricultural communities existed during the period of feudalism, and in a vestigial form in some regions, they survived until the modern times. However, they were never a dominant form of organisation of agricultural production in feudalism. They mostly applied to such types of agricultural land as pastures, meadows, watercourses, or forests. Naturally, it does not mean that there was no other cooperation or mutual help between the farmers. However, what is puzzling is why Rifkin completely skipped production communities so regionally extensive in their time, which included the agricultural cooperatives in the former socialist countries. Agricultural cooperatives, organised exactly on the model of the production communities, have completely failed as the form of organisation of production in agriculture. Even when we take into account that in some period and in a defined scope, under some greater or lower control of the authorities, they departed from the main idea of cooperation. But they also received quite significant subsidies from the same state. In spite of that, in the vast majority, they were making losses, did not prove any extraordinary engagement of the members when the communities were functioning, basing on the wide social obligation instead of the narrow own interests, or superiority of the collective over the individual interest of particular members of the cooperative. Yet, Rifkin believes and still argues in favour of the revival of cooperatives and cooperative movements. A form that would have a new chance of existence in the welfare economics thanks to the Internet of Things (IoT), which creates the necessary infrastructure for small and medium-sized enterprises.

**From ownership to access**

A second dimension of evolution of the capitalist market model into the model with the domination of cooperative communities is a gradual departure from the exchange economy towards sharing economy. Naturally, even in the case of the market model and the domination of corporations, there are significant, but less and less numerous areas separated from the private property, such as oceans, lakes, forests, mountains, roads, bridges, air, etc. that is public goods. In the last decades, the state shifted a significant number of these goods to private (corporate) ownership. According to Rifkin, it was the final renunciation of responsibility for the welfare of the society by the state. The society (consumers) weakened in this way, recognised the need and the necessity to organise itself into structures that would protect them against the omnipotence of corporations. They saw their chances in the economic commons, giving the possibility of satisfying many needs by channels that do not depend so much on the powers of the market. An additional driving force, on the one hand, remains the fact of high costs of acquisition of many goods, and on the other hand, exceptionally short period of their operation — it applies to, for example, cars, that are used for less than 10% of the time of their existence on average, and for more than 90% of this time,
they stand idle. It is for these reasons, an increasing number of people decide to satisfy their different needs by means of purchase of access to and not ownership of things. This trend includes new sectors like transport, premises, tourist travels, offices, communication, rooms, or even sofas, toys, ties, home gardens, agricultural parcels, etc.

Thus, the exchange value is substituted on the market with the value consisting in the possibility to share it with the community. As a result, less and less goods are purchased under the market exchange economy, and more under the sharing economy. It is a specific form of regaining the public space – economic, social, and cultural – from the power of the market and the private sector. In this way, according to Rifkin, the evolution of attitudes happens and the traditional dream of rags to riches is being supplanted by a new dream of a sustainable quality of life; but the sharing economy and access, instead of ownership, do not guarantee an equal quality of life to all. First, because access costs as well; second, it often requires a definitely larger activity and operability from consumers to fulfil their needs at a satisfying level, than in the case of the market exchange and taking over of ownership.

Access instead of ownership not only does not solve many problems from the point of view of the individual, but also of consumers as a whole. For example, it does not answer the question on what is to replace the impulses to innovations and introducing new products/services so typical for the mechanism of the market competition. Because, with all due respect, the Rifkin’s claim that it will be the desire to improve human life cannot be treated seriously. Even when we assume that a man is not such a “selfish market animal” at all, still, relying on the forces triggered by the willingness to do general good can turn out to be insufficient for the global sharing economy not to face the global apathy, not to say – the global destruction.

**From vertical integration to network**

Another dimension of evolution of exchange economy into sharing economy is concerned with the new form of organisation of economic structures. The capitalist system has demonstrated its superiority over the feudal system, among others, by recommending a new form of organisation of economic structures. The main direction of the changes in this scope was a gradual and increasingly advanced vertical integration of production chains, in the place of individual manufacturers (craft workshops) – the chains connecting the entities, companies and people dealing with manufacturing of specific products and product groups. In this way, a craft workshop gradually became a manufacto-ry, and then, a factory producing usually a homogeneous product group, to finally transform into a concern and a conglomerate. A vertically integrated company has become popular in the last quarter of the 19th century, and a dominant model in the 20th century.

What distinguishes this evolution is systematic strengthening of the relations between particular elements of the organisation and the developed hierarchical structure. As a result, this has led to the emergence of modern corporations, which are transnational as a principle (TNCs), with an even unimaginable economic and political power. The companies that can organise their economic, social, environmental and political surrounding to achieve only maximum benefits for themselves are scarcely interested in the consumer, society, country or a region of their operation.

The economic power of corporations is demonstrated by the fact that in 2014, on the list of the 100 largest countries
and corporations in terms of income, there were 63 corporations and 37 countries. It is worth emphasising that the predominance of corporations systematically grows, as on the same list for the year 2000, there were 51 corporations and 49 countries [The 100 largest, 2015]. To draw right conclusions, the deliberations cannot ignore such an important segment of the market sector as the corporations.

A new trend in the scope of organisation of the economy and companies aims at building networks, and virtually network communities. The network organisation of economic structures is not a new phenomenon in the world economy. We are dealing with it for 20-30 years. So far, it had mainly the microeconomic dimension, i.e. it was concerned with the organisation model of the basic production unit, other than the vertically hierarchical company. Thus, network companies emerged, and the enterprise is more and more often defined as a network node. A new networking dimension means building a network on a macroeconomic scale – a common communication, logistic or energy network. This is how the networking commons that aspire to the status of the basic organisation unit of the economy of the future are created.

From average to marginal costs

The issue of marginal costs is undoubtedly one of the important fields of the analysed Rifkin’s concepts. Basically, the entire consideration on the transmission from the economy of shortage to the economy of abundance is based on the theory of marginal costs. It is in fact an old problem of economics, whether the product prices on the market should reflect the level of the average costs or the marginal costs? Because, if the manufacturer obtains subsequent portions of the product at the marginal cost, what is his right to request payment of the average cost? This approach is also supported by Rifkin.

Its problem is that the price based on the marginal cost of the product does not cover the initial costs of the project, if we consider the issue in view of the resources or fixed streaming costs. Thus, the entrepreneur does not recover some of the invested capital, and this means that there is no source of a complete restoration of production conditions – the source of re-investment. Rifkin refers to the polemic between H. Hotelling and R.H. Coase on financing the costs of investments in infrastructure and public goods. Hotelling [1938] believed that this type of investments should be financed from taxes (mainly on income, inheritance, and land). In turn, Coase argued that the price of the use of public goods should cover not only the marginal costs, so it should be higher than these costs, by an additional charge, paid depending on the intensity of the use of these goods. Therefore, Coase [1946] called for a third solution, i.e. neither the marginal nor average costs, but a multi-part pricing model. To present the whole picture, it is worth reminding that Hotelling [1938] himself did not deny that the product price should not cover the fixed costs, and even should cover the interests on the accompanying and hypothetical investments, but the optimum of the general benefits is obtained by the society when the sale is according to the marginal costs.

Rifkin brings the discussion on the advantages of marginal costs to the present day. He relates it mainly to the basic dimension of the new economy of abundance, that is the Internet of Things (IoT). The initial costs of creating infrastructure are surely significant, but the marginal costs of information production have become irrelevant. This convinces him to the predominance of marginal costs. Zero – or to be more precise – almost zero marginal costs already today apply to such
industries as publishing, communication, entertainment, and more and more to renewable energy. Subsequently, there will be spatial printing and on-line higher education.

But Rifkin does not stop there. Further, he states that in the end, the marginal costs will be reduced almost to zero, which will eliminate the profit and will make the exchange of assets on markets to be unnecessary in the case of many products. When the marginal cost is close to zero, it means that the scarcity is taken over by abundance. Everyone can secure much of what they need without having to pay for it. And this will happen when the “extreme productivity” kicks off for good. Then, everyone will have access to production means, so the question about their property and controlling them will be irrelevant, and capitalism along with it [Rifkin, 2016]. In this situation, a question must be asked if it is a real forecast or a thesis taken straight from the Utopian socialists?

Attempt to sum up the concept of economy of abundance

As I stated above, the concept of the economy of abundance, or the society of marginal costs of Rifkin, is a proposal different from others. This distinctiveness consists in, among others, the adopted assumptions and their feasibility, and finally the adopted reasoning. The main dimensions of the evolution of the modern world economy into the economy of abundance were the subject of the above analysis. Most of these dimensions (trends) are not surprising, as they occur also in the proposals and concepts of other authors. In the case of Rifkin, the manner of argumentation, and especially the conclusions drawn from the analyses, may provoke thoughts and both positive and negative reflections.

When trying to sum up the assumptions and findings that are crucial to the concept of the society of abundance, at least the following must be mentioned:

Key assumptions for the concept of the economy of abundance

- The contemporary, and especially the future economy will be based on the open source model, which means free access to technologies and products, and as an effect, almost unlimited economic growth;
- the open source model is contrary to the intellectual property right, as an effect of which, the category of property rights will gradually lose its importance to finally disappear; patents and copyrights flourish in the economy organised around shortage, and are useless in the economy organised around abundance;
- the existence of the third industrial revolution (the economy of abundance) requires less financial capital, and more social capital, scales up laterally rather than vertically, and it is best introduced in the community management and not in the market mechanism; therefore, in the economy of abundance, the private sector and the market mechanism are in niche positions;
- effectiveness of a given management model and its prevalence over others depends mostly on the context; private property is effective in some areas; also public administration copes well with the supervision of many public goods; the best management model for the third revolution (the society of abundance) is community management with the participation of the government administration; although some support of the market forces must be anticipated;
- the networking commons is the governing body for the new paradigm based on cooperation;
- the third revolution and the society of abundance means the end of work
in mass production and services, and in the sector of knowledge; the end of work – mainly on the free market and in the public sector – as anticipated by the Author already in 1995 in the elaboration entitled: The End of Work [1995]; on the other hand, Rifkin notes that the social (sharing) economy is and will be less automated than the market economy and will need many employees.

And finally, the most radical assumption: for the society of the future to reach the state of sustainable abundance, the size of the population of the entire Earth must be reduced. However, the work does not provide any specific figures in the scope of the necessary reduction of the world population.

Key arrangements (findings) for the concept of the economy of abundance

- connecting of everything with everything into the global network motivated by productivity is increasingly moving us towards the age of almost free goods and services;
- community entrepreneurship, operating between profit and non-profit option of business today, will gradually move towards the non-profit organisation;
- the new (sharing) economy will optimise the overall prosperity by means of integrated networks within the cooperative commons;
- the economy of abundance is the only way to ensure a sustainable future to the human kind.

Is it real to implement the concept of the society of abundance with these assumptions? Obviously, it is difficult to give a clear answer. It is mainly due to the fact of rather unreal nature of many assumptions. It seems that even Rifkin himself is aware of this risk, when he states that the road to the economy of abundance is full of obstacles that may delay, or even prevent the arrival of the era of cooperation. But with the unwavering commitment, lack of costly mistakes or failures, and with a little bit of luck, the race to the new economic paradigm can be won (Rifkin).

The optimism of this Author, as he writes, stems not only from the development of technology and the history of human narrative. [But] because ... homo empathicus. And to feel empathy, according to Rifkin, is to civilise and to civilise is to feel empathy. Only the question is whether a man is or will be in the future actually homo empathicus, focused on the general interest and determined to subordinate their own interests to it, or whether, as written by David Elkind [2011], homo averiticus will win? In the contemporary world, we are observing the ongoing battle between human values of homo empathicus, and market values and economic benefits of homo averiticus, and so far, everything indicates that homo empathicus loses this battle. It should be emphasised that it is a pillar of the concept of the community society of abundance.

Moreover, as Rifkin says, hundreds of millions of human lives – and I think that even billions – start to treat others as »oneselves«. It sounds more fancy than real. Yet Rifkin himself insists and does not claim that the era of abundance will lead human race to utopia. However, consciously or not, he himself gets into utopia.

Such reflection can be made regarding numerous components of the concept of the society of abundance, and I will limit myself here to the issue of satisfying the future demand for food. Today, there are regions of the world, where the calorie intake per capita significantly exceeds the needs of a man, and at the same time, considerable areas of malnutrition and hunger. It is even discussed by Rifkin himself. The most classic example of the first group is the United States, where the society absorbs several times more of the
global bio-capacity than the US population (about five times more). Thus, a natural question arises about the possibility of elimination of this chief problem of modern times, that is the problem of hunger. Additionally, according to many forecasts, including the reports of The International Food Policy Research Institute cited by Rifkin, it is indicated that by 2050 in many regions of the world there will be a decrease in the production of many agricultural products, running to several dozen percent. All this requires radical actions, considerable investments, and commitment of countries and international organisations (FAO, WHO, World Bank) to avoid an escalation of hunger in the future. Meanwhile, Rifkin points to the importance of home gardens and, according to him, suddenly developing initiatives promoting local and organic farming, functioning in the USA in the form of farming communities, that is Community-supported agriculture – CSA (the idea alternative to the conventional food market, thus a system of production and distribution of food based on a direct cooperation of a farmer-producer and a consumer), as a way of ensuring the supply of food. On the other hand, according to the data of the US Department of Agriculture, in 2012, there were only 12,600 farms operating in the CSA, which with the 2,109,300 farms in general [USDA, 2012], gives 0.6% of American farms operating in this system. Therefore, in any case, this form of food production cannot be treated as a way of feeding people not only in the US, but also in other countries – although by all means it is worthy of social support.

Apart from quite numerous, rather unlikely assumptions, in some parts completely impossible to achieve, such as the postulated reduction of the human population in the concept of the society of abundance, many extremely important issues have been omitted. In his concept, Rifkin does not take into account at least the following issues and areas that are important for the determination of the future strategies of the development of the global society and the global economy:

- the opinion of the transnational corporations on the issue of marginalisation of their economic position and the importance of the market mechanism: it seems that TNCs themselves will yield to communities and social entrepreneurship, and then disappear from the economic reality;
- the issue of the future of the intellectual property rights: basing the future economy on the open source model virtually means elimination of these rights, elimination of patents and copyrights; although Rifkin recognises the contradiction of these two models, in his deliberations, he completely omits the manner in which the copyrights would be eliminated, ignoring the revolutionary nature of such a proposal;
- the problem of distribution of national wealth, including financing of social spending from the budget: the role of the budget, according to Rifkin, in the future will grow, at least due to the need to finance the initial investment costs in the economy based on marginal costs, but in this situation, what would be the budget revenue with regard to marginalisation of the position of the market and the profit category?; would the almost free goods and services mean also marginalisation of the meaning of the payment for work or salaries?; who would pay taxes and for what?; would it automatically mean direct acquisition of a part of remuneration by the budget?
- the position of individual social and professional groups in the society of the future, the state of social inequalities: will the reduction of the market and the development of community
forms mean the disappearance of some social and professional groups, closely related to the market and the private sector?; will the anticipated changes towards the society of abundance mean also the elimination of social inequalities?; if so, what will be the course of these changes? – because, there is considerable evidence, that the state and the private sector must firstly consent to the reduction of these inequalities;

- economic relations between the rich and poor countries: will further marginalisation of state organs and government administration mean gradual limiting of economic, trade, and financial relations between the countries, including the poor countries?; as it is hard to expect that the functions of political cooperation will be taken over from the state organs and the trade contacts from companies and corporations by the social commons;

- finally, as I mentioned above, according to the concept of the society of abundance, how will be the demand for food met in the future, in the view of climate changes, anticipated growth and not the reduction of the world population, elimination of a number of private investments in the biological progress, or eventually direct investments in the development of food production carried out by the private sector?

As indicated, these are only some selected issues that were not sufficiently explained or were even omitted in the concept of the society of abundance based on marginal costs. Without the explanation of at least these issues, the total of the concept ranks closer to utopia than to the forecast based on arguments.

Conclusions

What is undoubtedly valuable in the Rifkin’s concept is the search for the new business model and the essential “player” in the place of the state which in the last quarter of the 20th century resigned from the majority of prerogatives pertinent to it, and the market which turned out to be a not entirely effective form of the organisation of the economy and society. In the near future, this place, voluntarily abandoned (by the state) or gradually eliminated (like the market), will be taken over by the cooperative commons. The form based on the voluntary cooperation of independent consumers/producers, or how it is often defined now – prosumers. The cooperation based mainly on sharing, access instead of ownership, paying only marginal costs, idea of the open source and the peer to peer model of communication.

The concept itself, though, is determined by too many assumptions that cannot be achieved. Moreover, it is a concept simplified to a few phenomena. A humorous simplification would be to assume that the society of abundance and the marginal zero costs is IoT + 3D, that is the Internet and spatial printing.

Apart from those critical remarks contained in this article, a consequence of a different point of view represented by the author of these words, it must be stated, that a number of phenomena analysed by Rifkin is presented legitimately and accurately. These undoubtedly include the considerations on the future of the Internet, networking in the organisation of the economic activity or the wide possibilities of spatial printing. Also the future of sharing economy seems favourable, and whether it will become the dominant business model from this century is yet another matter. As usual, it will be verified by the future.

Apart from the above considerations that make up the area of the interest of economics, it must be emphasised that many of Rifkin’s findings prove – no matter whether made knowingly and deliberately by the Author, or accidentally – that
Jeremy Rifkin’s utopia of the economy of abundance

the book also functions as a publication created to uplift hearts. Because the faith in human empathy, placing the common interest above their own interest by people, or treating others as oneselfs, and finally the conviction about the need to free themselves from the power of the invisible hand of the market for joint action, may be encouraging. Although these are the issues of philosophy or ethics, because in terms of moral issues, as written by T. Sedláček [2015], economics does not want to know anything. Besides, a natural question arises whether the findings related to the human nature are actually real, or are they just a wishful thinking?

References:

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