





# Premise

- Incumbent organizational models -- those dependent on inefficiencies and that use hierarchies and borders to manage resources to meet market demand and social needs -- are being replaced by PLATFORMS.
- Caveat - new physics



# Platforms

- PLATFORMS are emerging structures that lower the interaction costs for meeting demand/needs with networked resources
- Platforms come in different flavors: connection platforms, creation platforms, shaping platforms (~THE APP ECONOMY)
- Platforms are subject to network effects and conform to power law distributions



# Network effects

- Value of a platform to a user is dependent on the number of other users
- One network with  $2x$  users has more value than two networks with  $x$  users
- Results in "winner take all" outcome

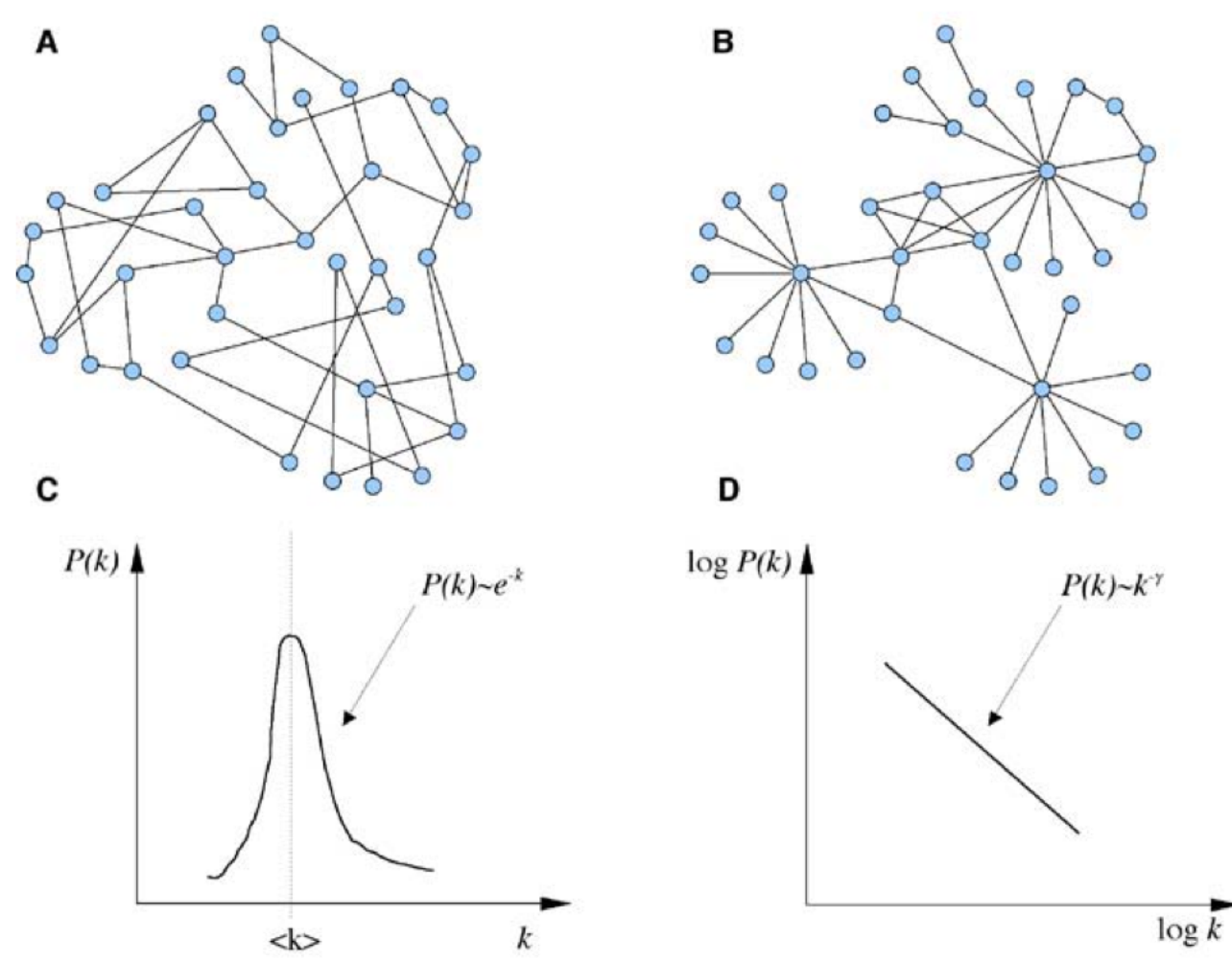


# Power Laws

- Platforms/networks exhibit non-random scale-free distributions (growth + preferential attraction)
- "first mover advantage" and the "rich get richer" ( $\sim 80:20 > 99:1$ )
- The more freedom (less friction) the greater the inequality of outcome

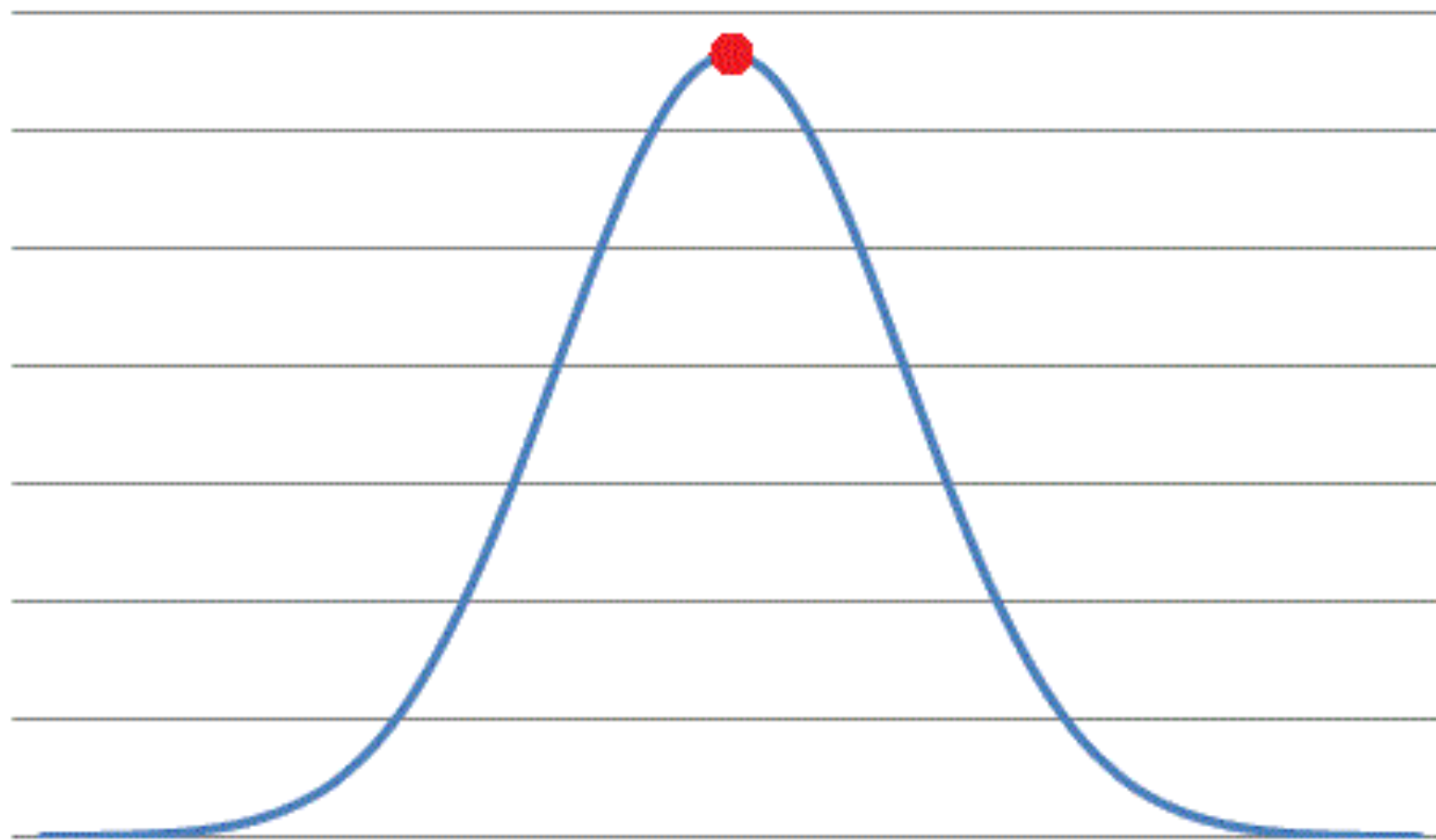


# Random vs. scale-free networks



# Normal (CLT)

**Bell Curve**

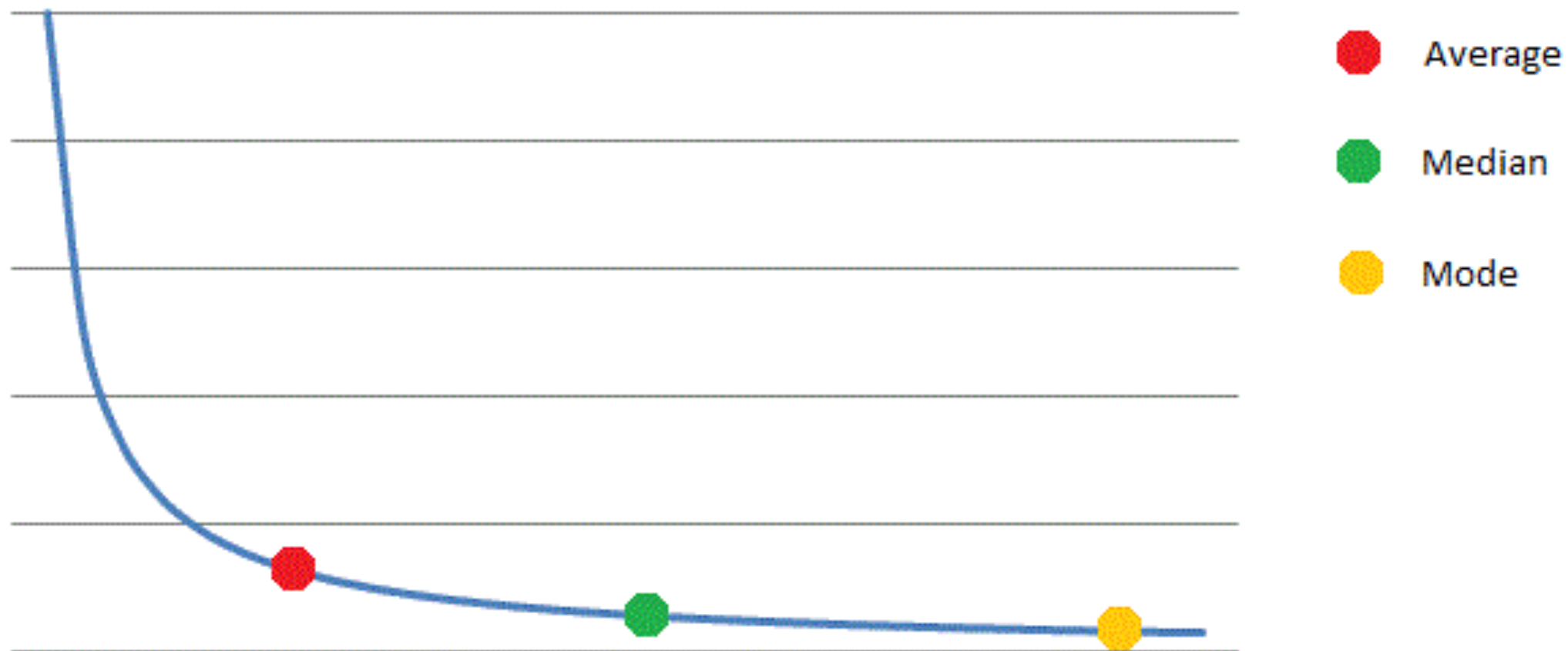


● Average, Median, and Mode



# Scale-free

## Power Law





# "Scale-free"

- Ranking versus categorization
- No characteristic node
- "average" has no useful meaning



# 91% of Americans self-identify as middle class

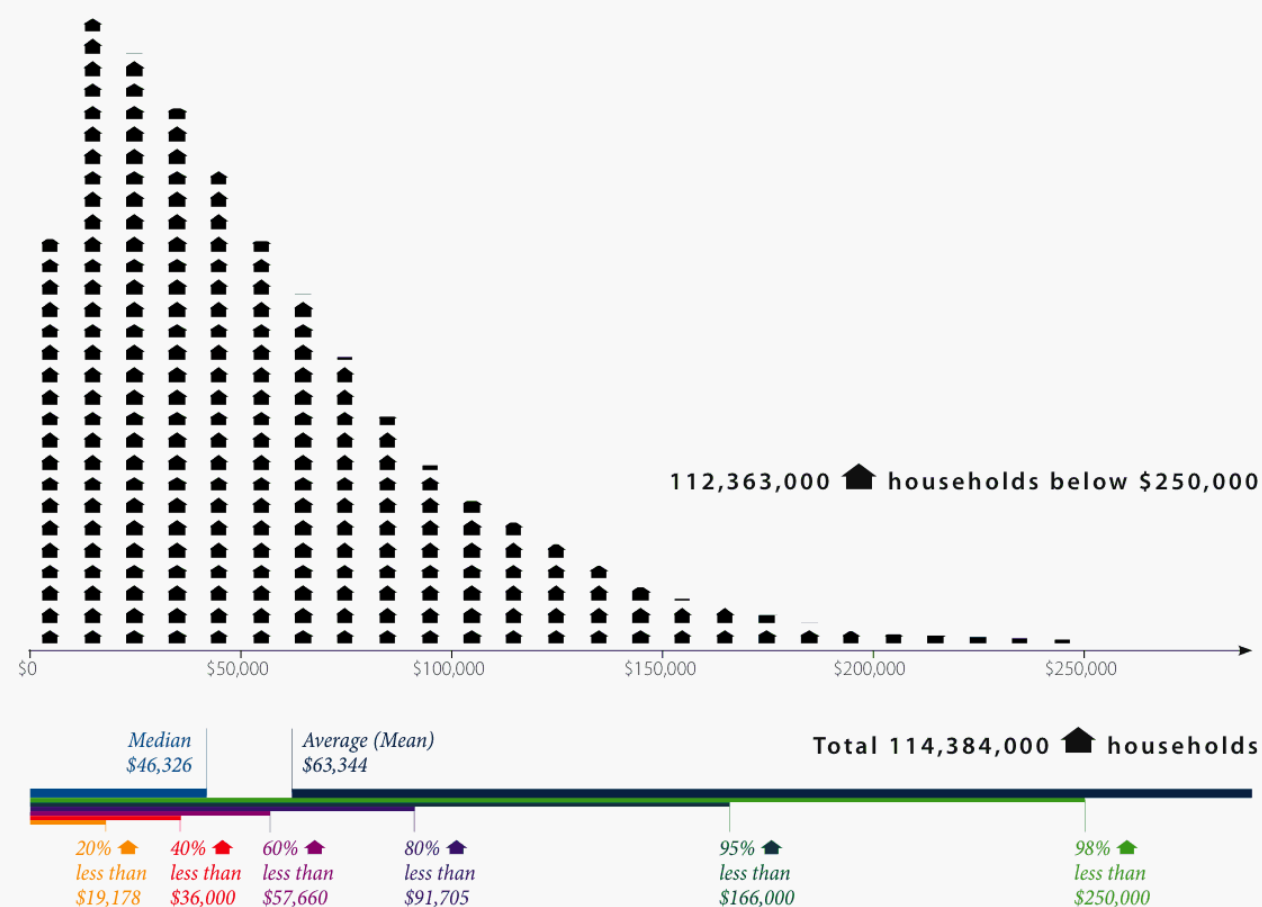


**Visualizing Economics**  
Making the Invisible Hand Visible

Visit [www.visualizingeconomics.com](http://www.visualizingeconomics.com)  
to view more examples

## Income Distribution (Bottom 98%) 2005 United States

Each 🏠 equals 500,000 households





Old  
NEWS FROM  
**LAKE WOBEGON**

In old Lake Wobegon: "all the women were STRONG, all the men were GOOD-LOOKING, and all the children were ABOVE average."

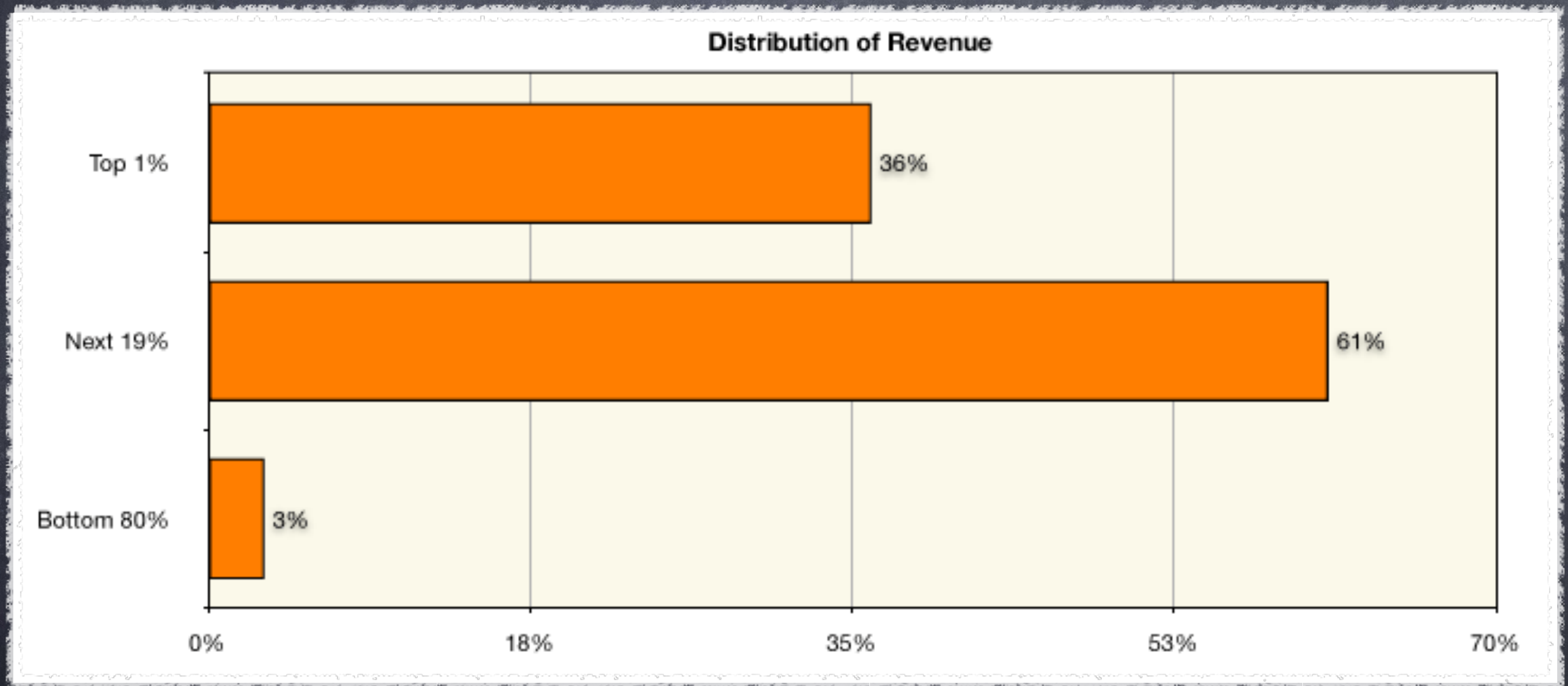


New  
NEWS FROM  
**LAKE WOBEGON**

But in the new economy: "MOST of the women are WEAK, the men UGLY, and the children BELOW average."



# The App Economy



Mean >\$3,000, median <\$600, cost >\$15-30k



# Interventions

- Regulate "freedom"
  - Constrain degree (deny winners)
  - Encourage attraction (pick winners)
  - Damper attraction (punish winners)
- Redistribute the spoils



# Skewness

