

# Information Rules

*by Shapiro, Carl and Varian Hal R.*

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## Review by:

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A book title cannot be more timely or accurate. Information rules society and it always has. The key difference is, that in our generation, the manner in which information is managed is more apparent to the everyday person and as more information becomes readily available the curse is that information can overload and intimidate us with little or no effort. Prior to the personal computer the everyday person could more easily manage the flow—such is not the case today. Throw into this fray the fact that information is a force in economics and the everyday person may become bewildered and perplexed.

Many of these concerns are addressed in this excellent new book that focuses on the information economy and its effect on society and culture. Two better authors could not have been found—Carl Shapiro is the Transamerica professor of business strategy in the Haas School of Business and department of economics, University of California, Berkeley and Hal Varian is Dean of the school of information Management and Systems, University of California, Berkeley. Early on the authors state that “the thesis of this book is that durable economic principles can guide you in today’s frenetic business environment” pg. 1. In ten engaging chapters, key concepts such as pricing, versioning, rights management, recognizing and managing lock-in, networks, cooperation and compatibility, standards, and information policy are dissected, discussed, and explained. Most chapters end with lessons that reflect key points made in the chapter.

The first chapter presents the foundation of the thesis of the book—the material is relatively general in nature—and sets the stage

for the following nine interesting chapters. In discussing pricing, the authors cite the case of Encyclopedia Britannica and its inability to compete with the more popular and less expensive Microsoft product, Encarta. An associated concept, “versioning” is discussed and the authors show how a business can offer information products in different versions for differing markets to the benefit of the bottom line. The heady and confusion issue of copyright management, especially as related to internet economy is examined in chapter four of the book. Another issue of concern, lock-in, which results from switching from one technology to another, is discussed in chapters five and six. In chapter seven the authors discuss how the old industrial economy was driven by economies of scale whereas the information economy is driven by economics of networks. The last three chapters push the envelope and advise the reader how to affect real changes in their relationship with the information economy. The last chapter is key in that it discusses current government information policies in light of advice provided earlier in the book.

This book may be one of the best to examine the theory and implications of the information economy. Although written by heavyweights in the field of economics and information management, the authors present a well written and thoughtful treatment of a subject that non-academics and academics alike should enjoy and refer to often. More importantly, this book offers direct advice that could well affect the bottom line of many entrepreneurs and existing companies.