



## The global village and the madness of e-crowds

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By Thomas W. Hazlett

Today's buzz is You, whom Time Magazine honoured as "Person of the Year" for igniting "community and collaboration on a scale never seen before." Your blog entries and social networking posts rock. Meanwhile, you're revolutionising Information Technology markets with far-flung innovations in open-source hardware and software. Soon governments will tumble and the meek shall inherit every entry in Wikipedia, A-Z.

The term "overhype" makes a cameo appearance in the Time announcement, but it deserves a speaking part. The Free Online Dictionary defines it in the sentence, "Producers grossly overhyped the movie," graphically demonstrating just how easy it is to be twice lapped in the race for superlatives. Back in the day, "hype" was gross exaggeration enough.

The excitement over robust social change is, hype-adjusted, deserved. Just as the Industrial Revolution discovered productive solutions previously unimagined, and mass transit (such as railroads) and mass communications (telegraphs, telephone, and radio) turned societies upside down, the possibilities on today's frontier are ripe with promise.

Which is to say: we've surfed these waves before. The "user-generated content" business model may have its own My Space page, but it dates to the telephone network of Alexander Graham Bell. "Club goods" allow individuals to gain from cooperative efforts, a standard paradigm in economic theory. Many "commons" sprouting up in the New Economy, where individuals share resources and reap the rewards of teamwork, produce value. But they have some trillions of dollars in productive enterprise to go before they eclipse the workhouse "commons" of the modern economy: the corporation.

Overhype about the emerging markets is good clean fun when confined to mindless text-messaging. There is an undeniable "wow" factor. But there is also a madness to the e-crowd. Whenever a trend is spotted that captures the fancy of the zeitgeist, it is formulated as a linear trajectory, and shot into orbit. All cross traffic is banned. Call it "asymmetric triumphalism."

When Time trumpets "community" and "collaboration," beware that their next issue may feature their favourite twenty-something online billionaires. When the claim is that "the new Web is a very different thing bringing together the small contributions of millions," behold the beauty of the long tail but note, too, the reverse. Proprietary content is growing like a Paris Hilton video gone viral, with firms like Gartner, Forrester, Yankee Group, IDC and McKinsey & Co. charging fat fees for specialised content of keen interest to deep-pocket customers. As an academic researcher, I am continually impressed by the excellent online databases that are (according to the email marketing, sometimes highly accurate) available for \$2,995.00. C'mon guys. I'm a scholar. And what happened to "openness" and "community"?

Yes, the dramatic lowering of distribution costs allows information to travel on a budget. That is an oomph for markets, and perhaps a double-oomph for democracy. But there's more. Never have so many, owed so much, for so few user names and passwords.

Our buzz-coloured shades block out key drivers of innovation. Take wireless. While 2.5bn people were subscribing to mobile networks, the tech spotlight was on WiFi. While a handy way to make

a DSL connection cordless, the disruptive technology claims that the exclusive rights used for wide area cellular networks were now eclipsed by unlicensed spectrum governed by power limits and regulatory standards were wrong. Not many folks dropping their mobile subscription to talk from their "hotspot."

Yet US regulators, focusing on the WiFi "commons," let most of a decade slip away before auctioning 3G licenses in 2006. Not only did this stunt the growth of wireless networks, it now sets the stage for vast bandwidth to be wasted in the TV Band. There policymakers are pushing to expand unlicensed spectrum allocations, when the evidence is compelling that opportunity costs far outweigh benefits.

In India, meanwhile, recent deregulatory moves have produced intense cellular competition. Carriers, given broad control of assigned airwaves, have driven mean prices to under 4 cents per minute, the lowest in the world. Subscribers nearly doubled in 2006 to over 100m. Fishing villages that were remote and poor are now connected and entrepreneurial, as University of Michigan business school professor C.K. Prahalab documents in recent research available for well under \$2,995.00.

"Open" networks have evolved, and Time dutifully touts the success of Linux the open-source operating system mocked by Microsoft critics during the company's US antitrust trial but now heralded as a bona fide competitive rival.

But iPod/iTunes is a proprietary platform that has magically restored order to the music download business while creating the iconic consumer electronics product of the 21st Century. Similarly, electronic games are driving explosive growth in entertainment software and broadband markets, riding on the backs of three consoles that are "open" only to the software licensed by their makers - Sony, Microsoft, or Nintendo.

The point is not that "closed" beats "open," but that capitalism accommodates both. Rules need not be changed to embrace the revolution. Markets thrust revolutions upon us, boldly and magnificently, far more often than we care to remember.

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