



Google's China syndrome

February 2, 2010

By Thomas Hazlett

Traditionally, the local bank engaged in a "trust relationship." It promised to invest your savings wisely, taking only the most prudent risks. To convince you of its sincerity, it spent a lot on a fancy building, telling customers: we're no "fly by night" operation. It sponsored the Little League team and the Girl Scouts, spreading community roots deep and wide. Employee comportment: polite but boring, under the shadow of engraved plaques noting how many long years the bank had been in town, behaving itself.

Ah, for the days before the moral hazard of "too big to fail," you gasp? Perhaps. But the conservative ethos of the button-down banker is alive and well. It rides on roller blades at the Googleplex.

What seems like a revolutionary departure from your father's capitalism is, in fact, just another spin cycle in the machine of creative destruction. Google's business model takes the rich, voluminous private information in search or email and creates the most profitable audiences on the planet. Advertisers flock. But what they bid to buy depends critically on banker's trust.

The extraordinary success of the search giant, now valued at about \$190 billion and accounting for over two-thirds of global net searches, operates in the shadow of its virtual plaque: Don't Be Evil. Only when customers believe that slogan will the company's audiences - and revenues - be secure. This vault is more important than the bank's. Dollars stolen can be insured and replaced. Confidentiality breeched cannot be restored.

The Google enterprise launched on a great search algorithm, but it became the dominant global Internet application by flawlessly executing this mission critical business strategy. The Google Search page pops up clean and crisp, not a single banner ad: we're here for you, not the commercials. With the right comportment, billions of users have been willing to trust the company with googols of personal data, telling the firm's servers their hopes, fears, friends, and desires. Citizens outraged to find that their postal carrier has read one of their magazines let this multinational read their emails.

But that's the bargain, and what's not to like? Customers get great applications and more relevant ads. Advertisers get better audiences at lower costs, space age click metrics guiding their purchases.

So long as Google protects its brand.

Which takes us to China and its frontal threat to Don't Be Evil. Markets are not always conquered as easily as with the construction of a better database or an ad-free Search Page. The Chinese Government does not endorse free speech, and asserts sovereignty over Internet content. By establishing a physical presence in the country, with Google.cn in 2006, the company conceded a compromise. Google.cn searches were censored, and Google cooperated in the effort. Better to communicate some information to China's citizens than none at all. It repudiated the commonplace that, as President Bill Clinton put it in 2000, "China has been trying to crack down on the Internet - good luck. That's sort of like trying to nail Jello to the wall." Consider this Jello nailed.

Silicon Valley purists howled in horror. They pilloried Don't Be Evil as a scam. Many of the local elite had long seen it that way. Andy Grove, co-founder of Intel, is quoted in Ken Auletta's "Googled" as saying, "Do you think Hitler thought he was evil? It's too vague, too self-serving, self-defining. 'I'm not evil, therefore I'm not evil.'"

Yes, there is that. But, not to defend Hitler, as slogans go, this one performs. And it is performing now: Google has announced that, given the rampant cyberattacks and the compromising of its users' private email information, it will remove its facilities in China.

Critics complain that it went East in search of profits, and now marches home to protect its brand. Again, what's not to like?

Confusion reigns over tactics and motives. Google is an extraordinary entrepreneurial foray, nested in profit and loss. Many, even Ken Auletta, in his insight-filled biography of Google, misconstrue the nature of their incentives. Google's founders, who viscerally disdained web advertising as an assault on the user, came to embrace it when the market showed them the money. This sex change operation was driven by practicality, the search for a funding mechanism. This is benign to Auletta, contrasting it with the "crass commercialism" of Bill Gates' dream for a computer on every desk. Mr. Gates of World's Greatest Philanthropist fame?

Google's withdrawal from China is a tack to keep their search engine open and their database closed. Their corporate soul merits protection. It is a metaphysical construct that has cash value. Supporting it is not selling-out - it's just selling. And that's a good thing. Trust me.

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