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### Featured Samples

#### Technology, the New Economic Yardstick

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### Technology, the New Economic Yardstick

How important is technology to the corporate sector? And how important will it be to the development of business in 2021? Moreover, how stable is the technological upswing and to what extent do technology advancements affect the economy? In answering these questions, it may be more expedient to look backwards, rather than forwards.

In the late 1990s, record amounts of investment revenue, ploughed into internet markets, led to the formation of the dot-com bubble. By 1999, 39% of all venture capital investments were being funnelled into internet companies.

The Nasdaq index of leading technology shares spiked on the 10th of March 2000 and the dot-com bubble popped. The index plunged by 76.81% between March and November of 2000 and by the end of 2001 almost all dot-com stock had gone bust, with blue-chip companies like the previously indomitable Intel losing more than 80% of their value.

*Nasdaq (Graph) – The dot-com Bubble Spike (source Bloomberg)*

*Nasdaq 10-year index (Graph) (source Macrotrends)*

*“During the dot-com days, one could take just about any company public and reap fortunes. All you had to do was make sky-high projections for growth and say you were in the Internet space.”*

*- Vivek Wadhwa, Silicon Valley*

The Nasdaq 2015 recovery coincided with a Federal Communications Commission vote to enact strict regulation on Internet Providers (IPs). This saved large content providers from paying IPs such as Comcast for access to customers. The regulations also prevented IPs from enforcing hefty access fees, emboldening new enterprise names like Facebook and Netflix.

The market is now afloat with fresh advances fuelled by Net Neutrality, with mobile, smart and AI based technology perceived positively and embraced globally as novelty sectors. But excesses and warning signs mirroring those seen before the dotcom crash are evident once again with one 2019 index exceeding the 2000 spike.

There are four tangible factors:

- Fast moving technology.
- Huge investments replacing a sustainable flow of resources.
- Perceived time pressure caused by fast-moving technology and a need to compete.
- Low interest rates, lifting the availability of capital and speculative investors.

### **The Changing Face of Technological Infrastructures**

The internet has transformed since the 2015 FCC ruling. While the curtailing of IP power introduced internet freedom, corporate and even government agencies were quick to take advantage and exploit autonomy.

The internet has changed (and continues to change) from a democratic communications tool into a commercial data-collecting platform, profoundly altering the business landscape in the process.

The world economy is now inextricably reliant on the internet, with 5 billion out of a planetary population of 8 billion online, a figure forecast to rise to over 6 billion in 2021. The affordability of mobile technology along with broad internet access combines to create one of the fastest-growing, most widespread and interconnected communication networks in human history.

The online sector now represents an established infrastructure for growth, job creation and social progress.

### **Interconnected Technology Danger Zones**

*“There are surprising similarities between today's hottest tech companies, and those dot-com predecessors. Was the first generation too early?  
Or are today's companies heading for a similar fate?”  
– Business Insider*

Three key areas, fuelled by the growth of the internet, currently fall into the ‘dot-com danger zone’.

- Start-ups
- Gig economy corporations
- Artificial Intelligence

*“At the dot-com craze's zenith, Priceline, the money-losing online ticket seller, was worth more than the airlines that provided its inventory.”  
– NY Times*

*“Even old ideas (think grocery delivery!) are being recycled in a “frenzy” of investors pursuing start-ups seemingly at any price. Uber has a valuation of \$41 billion, even though total taxi revenue in the United States is about \$11 billion a year.”*

*–Berkeley University*

*“The amount of start-ups is now increasing at an exponential rate. At the same time, the amount of venture funding for business is at an all-time high. In some ways, the rise of start-ups resembles the dot-com boom of the late 1990s”*

*- Forbes*

At the same time, artificial intelligence is the subject of enormous investment and has become the technology widely predicted to dominate advancements in the next decade, but many of the sentiments aimed at developing and funding AI match perceptions toward dot-com businesses in the build up to the Nasdaq spike.

*“UK GDP will be up to 10.3% higher in 2030 as a result of advancements in Artificial Intelligence – the equivalent of an additional £232bn – making it one of the biggest commercial opportunities in today’s fast-changing economy.”*

*- PwC*

But is a sweeping implosion of the feeding pool in early and emerging markets all bad? In many ways the process mimics the way forest fires clear the ground for stronger growth.

Many dot-coms, including Amazon, eBay and Google, endured the crash, consolidating to dominate the market share.

*“You need some of this mania to cause investors to open up their pocketbooks... in this case, much of the capital invested was lost, but also much of it was invested in a very high throughput backbone for the Internet... All that stuff has allowed what we have today, which has changed all our lives.”*

*– Fred Wilson, Union Squares Ventures (Twitter, Tumblr and Kickstarter)*

Dot-coms were seminal in creating a technological infrastructure, but current inflations exert pressure on the infrastructure itself. With worldwide economies already mired in a slowdown, where would a wholesale technology crash leave a dependent global market?