

**THE  
WORLD  
IN  
2007**

**BUSINESS**

The  
Economist



Forecasting trends for the year ahead

**EB** denotes premium content | [Log in](#) | [Registration](#) | [Help](#)

HOME

EDITOR'S INTRODUCTION

ABOUT THE WORLD IN  
2007

DIARY FOR 2007

PODCASTS

FEEDBACK

LEADERS

BRITAIN

EUROPE

UNITED STATES

THE AMERICAS

ASIA

MIDDLE EAST & AFRICA

INTERNATIONAL

THE WORLD IN FIGURES

BUSINESS

FINANCE

SCIENCE AND  
TECHNOLOGY

## Don't bet against the internet

From The World in 2007 print edition

**It's simply the best, argues Eric Schmidt, CEO of Google**

The internet bubble of the 1990s may have been investor folly but it heralded a new era, the impact of which we are only just beginning to understand. Those years rewrote the rules of production and distribution, bringing unprecedented freedoms to millions of people worldwide—to create and communicate, to organise and influence, to speak and be heard.

The internet is much more than a technology—it's a completely different way of organising our lives. But its success is built on technological superiority: protocols and open standards that are ingenious in their simplicity. Time after time they have trounced rival telecommunications standards that made perfect commercial sense to companies but no practical sense to consumers. In the battle of the acronyms, IP (internet protocol) has beaten ATM, CATV/Co-ax and the rest because it always means more choice.

But what's surprising is that so many companies are still betting against the net, trying to solve today's problems with yesterday's solutions. The past few years have taught us that business models based on controlling consumers or content don't work. Betting against the net is foolish because you're betting against human ingenuity and creativity.



VIEW

GO TO

**Economist.com**

Of course this new technology raises profound challenges for many established companies. Skype, an internet telephony business (voice over IP), is as disruptive to the economics of the telecommunications industry as China has been to the global manufacturing sector. But that disruption is only going to intensify.

In 2007 we'll witness the increasing dominance of open internet standards. As web access via mobile phones grows, these standards will sweep aside the proprietary protocols promoted by individual companies striving for technical monopoly. Today's desktop software will be overtaken by internet-based services that enable users to choose the document formats, search tools and editing capability that best suit their needs.

Driving this change is a profound technological shift in computer science. For the past 20 years a client-server computing architecture has dominated digital infrastructures. Expensive PCs ran complex software programs and relied primarily on proprietary protocols to connect to bigger—and even more expensive—mainframe servers. The data and the power lived in these computers and their operating systems.

---

**The fastest-growing parts of the internet all involve direct human interaction**

---

Today we live in the clouds. We're moving into the era of "cloud" computing, with information and applications hosted in the diffuse atmosphere of cyberspace rather than on specific processors and silicon racks. The network will truly be the computer.

Sophisticated browsers and technologies like LAMP or AJAX—not neon lights or Greek heroes but simple building blocks that enable people to produce and distribute content—are critical in this new world. They are the kind of technologies that transform audio, video, text and digital data into intuitive, easy-to-use services. They make Google, MySpace, YouTube, Gmail, Yahoo! and Microsoft Live possible, and they haven't even entered adolescence.

Cloud computing is hardly perfect: internet-based services aren't always reliable and there is often no way to use them offline. But the direction is clear. Simplicity is triumphing over complexity. Accessibility is beating exclusivity. Power is increasingly in the hands of the user.

### **Just imagine**

These trends have three important consequences. First, most new applications can be

created using existing software and protocols. Reinvention can be even more powerful and pervasive than invention. Mash-ups—websites that use existing online content to create something entirely new—are becoming the norm. Take a look at environmental champion [Jane Goodall's blog](#): she has used Google Earth to give people keener views and insights into the nature of nature.

Second, competition has increased and intensified. That stimulates innovation and ensures that products improve faster and become cheaper. If they don't, users go to a new entrant offering free or better versions.

Third, the creation, consumption and communication of content have increased exponentially. Researchers at the University of California at Berkeley estimate that the world generated five exabytes of data in 2002, double the output in 1999. To translate that into something more familiar, absorbing five exabytes of data on TV would require sitting in front of a screen for 40,700 years.

The lesson is compelling: put simple, intuitive technology in the hands of users and they will create content and share it. The fastest-growing parts of the internet all involve direct human interaction. Think about the blogging phenomenon and social networking sites like [MySpace](#) in America, [Bebo](#) in Britain, [Orkut](#) in Brazil, [CyWorld](#) in Korea and [Mixi](#) in Japan. In 2007 the virtual communities so prevalent in Asia and among students will become mainstream. Political pundits may claim that society is becoming atomised, but online communities are thriving and growing. The internet is helping to satisfy our most fundamental human needs—our desire for knowledge, communication and a sense of belonging.

Trend is not destiny, of course. But as a no-nonsense sports writer once wrote during the depth of America's Depression, "The race is not always to the swift nor the battle to the strong—but that's the way to bet." We're betting on the internet because we believe that there's a bull market in imagination online.

### **Podcast**

An interview with Eric Schmidt about this article is available [here](#).

[top](#)

ADVERTISEMENT



www.dbFX.com

EUR/GBP 0.6902    EUR/USD

Individual Clients Welcome.

www.dbFX.com

from the World's No.1  
Foreign Exchange Bank.

A Passion to Perform. Deutsche Bank 

[Home](#) | [Editor's Introduction](#) | [About the World In 2007](#) | [Diary for 2007](#) | [Feedback](#) | [Economist.com](#)

**An Economist Group business**

Copyright © The Economist Newspaper Limited 2006. All rights reserved.

[Legal disclaimer](#) | [Privacy Policy](#) | [Terms & Conditions](#) | [Help](#)