

## Faith, Gravity, and the New Economy

Editorial by David Gillis

What—you mean the new economy *didn't* make you a millionaire? The recent downturn in U.S. economics—especially in the NASDAQ—signals the end of a financial craze that promised everyone so much for practically nothing.

For thousands of would-be overnight dot-com success stories, it's time to dust off their suits and wash the dye out of their hair. For the former employees of companies like Amazon.com, and most recently, Cisco and Nortel, it's time to find a new job. But as analysts quarrel over where the money has gone, perhaps the more important question is where did it all come from in the first place?

Most have taken for granted the unprecedented wealth generated in the high-tech sector over the last several years was a natural by-product of a new and improved way of doing business— Business Version 2.0—although no one really knew what that meant. For those pressing the question, there was the supposedly self-evident Greenspanesque mantra that prosperity could ever flow from productivity, itself driven by technology—a sort of perpetual motion theory that seemed to promise indefinitely sustainable fortune. The bottom line was that the money was there, and nobody really cared; but they should have.

The money—the *real* money, as in cold, hard cash—came from venture capitalists, who in turn were funded by packs of investors, hungry for the next big thing. Large corporations willing to shell out millions for half-baked dot-com ideas in order to get in on the action formed the other half of the happy equation. Evidently somewhere along the way, someone stopped to ask whether the world really needed a [www.build-you-own-hotdog.com](#) and gravity finally kicked in.

The point is that all of this unprecedented growth was effectively willed into being by a generation of consumers, investors, and industry players who truly believed in the value of their endeavors. So fervent and wholehearted was this belief that hardly anyone doubted for a second that there was a great deal of money to be made. And for a time, the market was indulgent.

Faith in and of itself was nothing out of the ordinary. Our entire monetary system is premised on an intrinsic faith. Money holds value because we believe that it does. But when faith gives way to fervor, the subtle balance between risk taking and conservative development gets thrown for a loop. We must guard against any financial perspective that purports to defy gravity—for such a warped view belies the very foundations of economic reality.

The truth of the new economy is that *there is no such thing*. There never was—at least, not in the revolutionary sense that has been generally espoused. Just recently, web-based services [salon.com](#) and [c-net.com](#) had to scale back employment. Functional and robust

revenue models for these online companies never actually materialized. It is now clear that most of the “made” money flashed before our eyes during the past five years was less a product of sound business practice, and more so of avarice and appetite. These are powerful market forces to be sure, but they’re nothing new—and certainly, nothing revolutionary.