

Dotcom Deathwatch

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Have you forgotten the other side of rotten?
Picking electronic cotton, digging digital ditches -
Lookout, lookout for the Crash . . . Crash . . . Crash!
— Public Enemy, “Crash”, *There’s A Poison Goin On . . .* (1999)

I think the business is programming people’s lives. I direct reality.
— Josh Harris, founder Pseudo.com and WeLiveInPublic.com
(Kaitt and Weiss, 2001: 300)

Foresight Myopia

The dramatic rise-and-fall of the dotcom ‘New Economy’, which began in August 1995 with Netscape Communications’ breathless Initial Public Offering (IPO) (Cassidy, 2002: 6) and ended on 14 April 2000 with the NASDAQ tech crash (Cassidy, 2002: 290-291), is a case-study of why corporations failed to implement capabilities for pragmatic and social foresight.

Yet this potential case-study is becoming increasingly difficult to uncover amidst business magazines that have rewritten their histories and unapologetic CEO hagiographies. Despite the efforts of digital continuity/preservation sites like Archive.org, key dotcom information remains hidden in the data-deluge or has disappeared altogether. Complex social dynamics have been reduced to ‘flatland’ popular montages: the spectacular “burn-rates” of Boo.com and DrKoop.com (Cassidy, 2002: 299), the fateful *60 Minutes* interview with Razorfish founders Jeff Dachs and Craig Kanarick (Simon, 2000), ‘Open Source’ renegades, the AOL Time-Warner merger (Cassidy, 2002: 259), and indulgent parties by *Industry Standard Magazine* and on-line broadcast channel Pseudo.com (Cassidy, 2002: 301).

These montages replayed an Ellulian “official folklore” that was popularized by a business press (notably *Fast Company*, *Silicon Alley Review* and *Red Herring*) that compromised its independence (Frank, 2002: 174; Cassidy, 2002: 8) by chasing advertising revenues. Journalists framed this shift as a battle between ‘new’ and ‘old’ media (Frank, 2000: 83). Publications began to “disseminate their own version of the world” by incorporating storytelling to convert “the shrieks of private sins into hymns of public virtue.” (Bagdikian, 1997: 68).

The press closed this self-reinforcing loop by providing glowing portraits of dotcom executives: *Business 2.0* applauded how Sapien founder Eric Greenberg netted \$200 million at the expense of his staff (King, 2001: 62-68); About.com’s Scott Kurnit was lauded for his “incredible job” spearheading a site run by poorly-paid freelancers (Hodges, 2001) who subsequently retaliated with a labor lawsuit (Dotinga, 2002); and Clay Shirkey, SiteSpecific.com’s former Chief Technology Officer, hailed Pseudo.com as the dotcom’s equivalent of Andy Warhol’s Factory (Kaitt and Weiss, 2001: 254). Michael Hirschorn and Kurt Anderson’s Inside.com, the Internet’s most high-profile monitor of business media, was sold to publisher Stephen Brills and gutted (Cassidy, 2002: 308), in a media landscape increasingly defined by *USA Today* (Frank, 2002: 322).

Finally, this loop was defined by the *Zeitgeist*'s social ideologies. A partial list included Daniel Yergin's "market populism" (Frank, 2002: 61), Walter Wriston's "twilight of sovereignty" and the rise of micro-nations (Frank, 2002: 54) and Thomas Frank's millennial framing of globalization (Frank, 2002: 65-66). Dotcom *epistemes* often unconsciously reflected Henry Thoreau's Transcendentalist virtue of independence, Frederick Jackson Turner's Western Frontier mythos, US hi-tech expansion as Manifest Destiny (Cassidy, 2002: 155) and the now-discredited 'Great Man' school of historical change (Lynch, 1995: 37-38) on CEO psychology.

Foresight & 'New Economy' Histories

A foresight perspective on the 'New Economy' counterbalances the historic role of individuals and institutions (the micro-view) with the broader perspective of a 'risk landscape' (the macro-view) as a model of social transition (Kamppinen and Wilenius, 2001). This shift also 'surfaces' how industry analysis may be socially constructed: the description 'New Economy', for example, has been traced to the London-based think-tank Demos (Frank, 2002: 348), which influenced the Blair Government and 'Third Way' political debate. A long-term trends analysis found connections with Friedrich Hayek's free-market model and Walter Lippman and Edward Bernay's public relations ideology that 'manufactured consent' (Frank, 2002: 376).

The micro-view (a 'cause-effect' frame-work) has largely dominated Western press coverage. Its 'scenario-logics' touted CIBC Oppenheimer analyst Henry Blodgett as "seer of the moment" after the meteoric rise of Amazon.com's stock-price (Kurson, 2001; Cassidy, 2002: 200) and Morgan Stanley analyst Mary Meeker's recommendation as crucial to Netscape's successful IPO (Cassidy, 2002: 94-96, 207, 218). It exalted perceived benefits over actual value (Kuo, 2001: 13), such as when the investment firm Bear Stearns engineered TheGlobe.com's over-subscribed IPO on 13 November 1998 (Cassidy, 2002: 196-197; Paternot, 2001). Its approach to change, risk-management and foresight may best be summed up by Spencer Johnson's pithy 1998 book *Who Moved My Cheese?*—a thinly-disguised parable of surrender to post-Taylorist discontinuities (Frank, 2002: 248, 369).

The macro-view, instead, embraced critical and epistemological tools, including minority viewpoints. It located Al Gore's "information superhighway" (Cassidy, 2002: 38) within an environment formed by 'layers' of multiple trends and co-emergent patterns. Its socioeconomic analysis recognized the post-1973 fall in productivity (Cassidy, 2002: 121) created by the OPEC oil crisis, and the consequential adoption of techno-determinist planning (Saul, 1997: 21, 67-68). The micro-political fascination with dotcoms throughout the late 1990s, it noted, refracted a similar fascination for artificial intelligence in the early 1980s (Levidow and Robins, 1989). It was self-critical of post-Taylorist and techno-utopian ideologies, notably the influence of Ayn Rand on Business Objectivists (Hitchens, 2001). And it perceived that new worldviews emerging in the growth of neo-Pagans and cyberpunk religions (Davis, 1999), the shift from the 1970s industrial subculture to the early 1990s cyberculture (Dery, 1996), and the rejection of consumerist materialism (Rushkoff, 1999). This macro-view informed some critical debates during the 'New Economy' lifecycle yet its full dimensions only became apparent with hindsight.

Faith In Fakes

The failure to shift from the micro-view to the macro-view contributed to dotcom delusions of immortality. Three examples highlight the perceptual gulf and difficulty of this strategic shift:

- U2's *ZooTV* tour (1991-93) 'data-mined' everything from early 1990s cyberculture to the post-Cold War geopolitical realignment. The band integrated critical insights by Marshall McLuhan, William S. Burroughs and Guy DeBord into their thematic imagery about the social construction of reality. They collaborated with 'culture jammers' Emergency Broadcast Network on a live show that included a mobile television station and satellite uplink. Their show became a vehicle to critique the second Persian Gulf War, the integration of the European Community, the 1992 US election, and most effectively, the social psychology of 'ethnic cleansing' during the Balkans conflict. When U2 created the *PopMart* tour (1997), although the shows received superior reviews, their self-reflexive Spectacle had now become self-mocking parody. What had been spectacular years before was now mundane: diffusion into the cultural memepool weakened U2's impact.
- David Brooks ushered in the Bush Administration with his *Atlantic Monthly* article "The Organization Kids" (April 2001). Brooks profiled a group of Princeton University students as an exercise in age-cohort analysis for the Millennials (the post-1982 generation). Within days of its publication, Brook's article was angrily rebutted by *The Daily Princetonian's* student journalists (Crosby, 2001; Podos, 2001). Cason Crosby and Marnie Podos refuted Brooks' research sample as a reliable mean of the student population. They also noted the article's political subtext: an uncritical adherence to authoritarian morality and all-consuming organizations. The subtext underpinned the 24-7 lifestyle of many dotcom startups (Arnott, 1999).
- Management within dotcoms was often portrayed as the battleground of inter-generational warfare. The grim reality was that many of these companies were 'digital sweatshops' (Fraser, 2001); staff were constantly threatened with 'down-sizing' (Sennett, 1998). Workers were reduced by cybernetic management techniques and psychological testing to personnel-profiling tools (Levidow and Robins, 1989: 30). Age-cohort analysis and sociopolitical trends (Howe and Strauss, 1993), unsurprisingly, framed how Generation X employees were portrayed. The press narrative began as a *laissez-faire* redemption from the early 1990s pessimism of Seattle grunge music: "Generation X and stocks, it now seemed, went together like Kurt and Courtney." (Frank, 2002: 139). After inner-city gentrification and the dotcom crash, the pendulum swung back and Gen-Xers were again portrayed as 'detestable' slackers (Brown and Mieszkowski, 2001) who had probably 'overdosed' on cultural theory, postmodernism and media studies (Frank, 2002: 297). Over a decade they had changed from Slackers to Net.Media Moguls to New Slackers—a cyclical pattern that also embodied the rise-and-fall of Geek Chic (Katz, 2000; Katz, 2001; Shulgan, 2001). Underlying this narrative was an inter-generational battle over financial independence (Frank, 2002: 161), an object relations-style pattern of rejection, and a stratification of social hierarchies (Sulloway, 1996; Lessard and Baldwin, 2000a; Lessard and Baldwin, 2000b). Having rejected Generation X, many Baby Boomer analysts are now studying the Millennials and honing their Short Messaging Service skills (Howe and Strauss, 2001; Kuo, 2001: 205).

The Siren Call of Normative Scenarios

The inter-generational niche-space also shaped *The Long Boom* (Schwartz, Leyden and Hyatt, 2000), an influential Global Business Network scenario that projected the success of Hayek's market capitalism, the growth of biotechnology and nanotechnology, and the Nietzschean overcoming of the Club of Rome's '*global problematique*'. This optimistic projection was shared by *Wired Magazine* (Cassidy, 2002: 45). When the NASDAQ crash intervened and short-circuited GBN's forecast (Schwartz, 2001), the team simply offered three new trajectories. Schwartz did not address the observation that techno-utopian thinking would flourish between 1989 and 2011 due to macro-economic shifts (Cassidy, 2002: 314). Schwartz also failed to explore, in his scenario's analysis of the 1980-2000 historical phase the probability that CNN's Persian Gulf War coverage, the Military-Nintendo Complex, and the early 1990s domestic recession had created both the public interest in dotcoms and the college-educated labor pool for a new industry.

Michael Lewis's portrait of Netscape Communications and Healthon founder Jim Clark also shared GBN's techno-utopian bias (Cassidy, 2002: 204). Criticized for hero-worship of venture capitalists, *The New New Thing* (1999) contended that Clark had 'jump-started' the dotcom boom for personal reasons. After Clark visited the luxury yacht *Juliet* on San Francisco Bay, he decided to build his own (*Hyperion*) and needed the money. "Clark's first sighting of *Juliet* was one of those small perturbations," Lewis argued, "that radically altered the world we inhabit." (Lewis, 1999: 410). Few other scenarios dared to explicitly consider how irrational human decisions had shaped new futures. Clark, along with Frank Quattrone and TheStreet.com founder Stuart Cramer, embodied how Hayek's market capitalism had fused with Wall Street's trader psychology (Frank, 2002: 130) to spawn the 'day-trading' culture (Cassidy, 2002: 225). Lewis's book also signified the replacement of effective organizational management by shallow public relations (Frank, 2002: 224).

The normative power of these scenarios in shaping the dotcom future was offset by several critical perspectives. Richard Barbrook's scathing critique of the Californian Ideology (Barbrook and Cameron, 1996) 'surfaced' how early *Wired Magazine* flourished in a post-Reaganomics climate and 'Vietnam Syndrome' recovery (Cassidy, 2002: 101, 195). Edward Luttwak's disavowal of the Washington Consensus (Luttwak, 1999; Frank, 2002: 16) and Paul Krugman's critique of pop macro-economics (Krugman, 1996) highlighted how comparisons of the US 'New Economy' versus Britain and Japan (Frank, 2002: 7; Cassidy, 2002: 171) had misinterpreted global financial flows for propagandistic ends. In a penetrating analysis, Geert Lovink has showed that CEO worship, a myopic press and uncritical scenarios contributed to the collapse of Enron and Worldcom (Lovink, 2002).

Many consultants still considered scenario-planning to be foresight's "killer app." This view was shared by the traditional management consultancies (O'Shea and Madigan, 1998; Micklethwait and Wooldridge, 1996). Yet their self-proclaimed evolutionary successors failed to make allowances for human fallibility and flawed mental constructs (Soros, Wien and Koenen: 1996: 210; Weick, 1999) that exemplified the best scenarios. Poor research skills contributed to flawed NASDAQ reports and forward-looking scenarios (Cassidy, 2002: 280, 283) before the press focused on "Chinese walls" and insider-trading rackets.

‘Colonizing The Past’

Dotcom entrepreneurs also attempted to ‘colonize the past’ as self-justification for their decisions. The rise of the “Movie Brats” generation and the 1970s New Hollywood was often invoked as an historical parallel (Frank, 2002: 278) that explained current scenarios of industry growth. On the surface this was a plausible explanation: the growth of the New York’s Silicon Alley and Los Angeles industry clusters mirrored the earlier role of the cities’ film schools, the October 1968 repeal of the Production Code was refracted through 401-k investments and deregulated mutual funds (Cassidy, 2002: 31), the Vietnam War was exchanged for the second Persian Gulf War, and the bankruptcy of major studios became the collapse of media conglomerates. Finally, the rise of independent producers and auteurist directors evolved into the maverick Web editor and Content producer whose artistic visions transcended the limits of old media.

Recent interpretations have challenged ‘New Economy’ and New Hollywood fictions. Independent film producers gained increasing power during a period of post-Fordist vertical disintegration and re-orientation to specialist production firms (Smith, 1998: 7). Yet the wider arc, a shift from *Easy Rider* (1967) to *Heaven’s Gate* (1980), during which the major studios were acquired by portfolio-expanding trans-nationals, has been echoed in the post-crash consolidation of dotcom properties (Cook, 1998: 13). Film industry MBAs and Internet entrepreneurs both focused on “high-stakes speculation and corporate tax-sheltering.” (Cassidy, 2002: 236; Cook, 1998: 34). The mergers and acquisitions mania that consolidated New Hollywood’s post-Taylorist studios was fueled by a climate of revised antitrust rules and junk bond financing (Lewis, 1998: 87). Originally devised by *Cahiers du Cinema* writers as a paradigm to critique the French film industry, ‘la politique du auteurs’ was assimilated after New Hollywood’s recession (1969-71) as a marketing strategy to target college-level audiences (Cook, 1998: 13, 35). Auteurs became marketed celebrities whose rapid-turnover status and power was quickly dispersed into global media flows (Corrigan, 1998: 50, 59, 43). Independent films (early 1970s) and independent Webzines (late 1990s) shared a parallel fate: countercultural notoriety, early success, then mainstream affiliation or obscurity.

Although there are different trajectories, many analysts believed that Lew Wasserman’s fusion of ancillary markets, deregulation, horizontal integration and globalized marketing created the framework for today’s ‘high-concept’ blockbusters. The closest Internet model was Pseudo.com’s attempt to create ‘post-television programming’ (Kaitt and Weiss, 1998: ix). Despite later claims by investors that he had no day-to-day operating authority, CEO Josh Harris spent \$30 million at a ‘burn-rate’ of \$2 million/month, including building a Manhattan production studio. Faced with dwindling cash reserves, Harris fired Larry Lux from National Geographic Interactive), named Tony Asnes as Acting CEO, and hired *CNNfn* cable executive David Bohrman to revamp daily operations. Harris’s demise was more than just a foresight failure to heed past orthodoxies. Its content just wasn’t compelling *enough* to build a large audience and cover escalating production costs: “there was little difference between Pseudo and mainstream television, even when the dotcom and the networks tackled the same subjects.” (Mamatas, 2000). Finally, Harris personified what Ichak Adizes called the “Founder’s Trap”: when “founders are simultaneously their companies’ biggest assets and biggest risks.” (Adizes, 1999: 64-65).

The Growth of Spreadsheet Cultures

The failure of social foresight is usually leveled at dotcom management who failed to heed Federal Reserve chairman Alan Greenspan's warning about "irrational exuberance" and speculative bubbles (Cassidy, 2002: 132, 187). Blame has also been leveled at the major investment banks (Fullerton 2001; Smith, 2002) as a "billion-dollar club" (Frank, 2002: 364) for manipulating the public for short-term financial gains. This analysis is frequently supported by referring to Charles Mackay's writings (Frank, 2002: 109) and behavioral economics studies of herd behavior (Cassidy, 2002: 124) and international cascades (Cassidy, 2002: 232). This analysis overlooked how dotcom language and "spreadsheet cultures" had thwarted effective foresight.

Long-term survival as a dotcom depended on the ability to exploit higher-order abstractions and information ecologies. A crucial scenario-generating tool was the computer spreadsheet, which became metaphors that were "rhetorical devices, used to persuade." (Schrage, 2000: 47). This quantitative analysis underpinned the New Hollywood-style pitch culture, whereby business plans became icons like Healthon's "Golden Triangle" and "Chart of Many Bubbles." (Lewis, 1999: 366). Computer spreadsheets and dotcom language created "new realities by reframing old ones." (Schrage, 2000: 55). Both tools evolved in a climate of early 1990s management fads that changed North America's business ecosystems (Micklewait and Wooldridge, 1996; Frank, 2002: 191), notably the shift from Reengineering and Total Quality Management to Intellectual Capital and Knowledge Management (Edvinsson and Malone, 1998). This shift occurred while analysts were devising new business models of company and industry foresight (Slywotzky, 1996; Hamel and Prahalad, 1996; Mintzberg, Ahlstrand and Lampel, 1998; Frank, 2002: 241).

The failure of these companies is now frequently blamed on management that abandoned the Shareholder Wealth Creation profitability model for "First Mover Advantage" and gaining audience "eye-balls". Early Internet depictions were influenced by branding metaphors and cable television analogies. Planned broadband and e-commerce roll-outs, which would have strengthened these analogies, suffered from 'last mile' technological problems (Mamatas, 2000). Perhaps this mind-set outlived others because New York's Silicon Alley piggy-backed upon Manhattan's finance/media ecologies (including the three main television networks, major newspapers, book publishers, national magazines, advertising agencies, and 10,000 journalists). (Cunningham, 2001). Tribal DDB executive John Young noted: "New York is just a society of ideas. That's what we get off on." (Kaitt and Weiss, 2001: 189). "The drive is part of it," observed Kyle Shannon. "This is the center of culture, the center of business, the center of world communications and trade." (Kaitt and Weiss, 187). New York's Silicon Alley "was employing 250,000 workers and producing nearly seventeen billion dollars in revenue" by the year 2000 (Kaitt and Weiss, 2001: viii).

The combination of spreadsheet culture and cluster location enabled early dotcom consultancies to diversify into specific markets: Agency.com (Fortune 1000), Razorfish (new launches), and SiteSpecific (marketing companies). (Kaitt and Weiss, 2001: 80). This inter-group competition kept spiralling due to new rounds of venture capital funding (resource scarcity) every three to six months, and was promoted by

social hierarchies like *Silicon Alley Reporter's* annual *SAR 100* list of the industry's key players.

Influenced by the early 1990s popularity of postmodern theory (Frank, 2002: 278), early dotcom consultants wanted to revolutionize business with consensus business practices. They conceived of a fundamental shift from autocratic-entrepreneurial management to a humanistic-systems model. This optimism is captured in the opening “pitch” montage of Jehane Noijaim and Chris Hedegus' documentary *Startup.com* (2001) about GovWorks.com, whose founders Kaleil Isaza Tuzman and Tom Herman, chased a \$600 billion “vertical market” in municipal fees (Noujaim and Hedegus, 2001; Cassidy, 2002: 235). The Internet's ability to alter global consciousness was equated with the 1960s *Apollo* space program (Pottruck and Pearce, 2000: 280). Jacques Derrida's literary deconstruction was translated via Francis Fukuyama as “the dismantling and reformulation of traditional business structures.” (Evans and Wurster, 2000: 40). For Michael Lewis, Healthon “like a lot of Internet companies, was a shifting abstraction.” (Lewis, 1999: 366). Unfortunately this palimpsest gave rise to self-referential hyper-relativism and rampant narcissism (Wilber, 2000: 26-28; Frank, 2002: 293). Dotcom consultancies failed to anticipate how traditional management consultancies and trans-national corporations would reverse-engineer their service offerings after the initial sales cycles. Dotcoms lacked metrics and environmental scanning capabilities to monitor their environments. *FEED Magazine's* Stephanie Zonarick spoke for many when she said, “Our incompetence saving us is a theme throughout our history.” (Kaitt and Weiss, 2001: 76).

24-7 pressure blurred ‘touchy-feely’ investment language and the hi-tech ‘aura’ with confrontational hard-selling, pyramid-like organizational structures and egocentric CEOs. “The real organizational blueprint of the dotcom era,” Douglas Rushkoff told me in an October 2001 interview, “was pyramid schemes and not e-commerce.” Differences in learning styles also became the unconscious basis for social hierarchies. Microsoft differentiated between “Steve” and “Bill” guys (Bank, 2001: 163-64). Valentine Media CEO Theresa Duncan admitted, “There is a lot of divide in Silicon Alley between the liberal arts majors and the business majors.” (Kaitt and Weiss, 2001: 43). Human Resources let the *Peter Principle* run amok, hiring people beyond their skill-set or professional competencies. Dotcom consultancies that expanded their market-share by serial mergers and acquisitions also inherited a clash of organizational cultures, values and mind-sets, creating 10X alignment problems

The Power of Dotcom Language

Dotcom language became the key stratagem to masking these problems. Terms —“broadband,” “burn-rate,” “exit strategy,” “network externalities,” “viral marketing”—became strategic planning substitutes for in-depth synthesis, a reality-defining language that short-circuited critical awareness by mis-mapping the territory (Porter, 2001: 73). Verbal thinking overwhelmed non-semantic warning signals (Pearce, 1974: 149). The business press failed to critically analyse this cognitive error. Ironically its best analysts were engaged in a dispute about the applicability of Michael Porter's industrial economics (Mintzberg, Ahlstrand and Lampel, 1998: 83; Porter 1980; Porter 1985) to new conditions (Tapscott, 2001; Samuelson, 2002).

Dotcom terminology proliferated in business plans. “The metaphors of the new Internet frontier had spawned a hyper-confident, sometimes empty vocabulary,” Geoff Lewis observed, “that would make any business plan seem plausible.” (Lewis, 2001: 69). Allusions to Dutch Tulipmania and Charles Mackay were also problematic: these metaphors enabled critics to “wrap up the dotcom phenomenon in a tidybox—and cease further analysis.” (Lewis, 2001: 69).

Anthropological techniques and neobiological metaphors flourished. Former Pseudo.com executive producer Robert Olinsky contended that “human life [was] creating this organic culture” while TheKnot.com CEO David Liu believed that “human behaviour was going to dictate where the whole business was going to follow.” (Kaitt and Weiss, 2001: 267).

Corporate Religions

What actually followed was a surge in god-like CEOs and the emergence of corporate religions. James Surowiecki traces the first to Lee Iacocca’s turnaround of Chrysler during the 1980s (Surowiecki, 2002). Neil Stephenson predicted that corporate religions that manipulated language would evolve as ‘buffers’ for the reflexivity of business ecosystems (Stephenson, 1992: 214-220, 259-260, 369-380). They were a short-term solution to information overload and workplace uncertainty. “A problem of filters,” Douglas Rushkoff remarked, “not technological filters, but psychological/moral/ethical filters.” (Shenk, 1999: 100). They also provided a conceptual continuity from Dickensian factories to dotcom sweatshops (Frank and Weiland, 1997: 97).

Its most effective exponent was *Fast Company* (Cassidy, 2002: 173; Frank, 2002: 4). When Tom Peters wrote “The Brand Called You” for the August 1997 issue (Peters, 1997; Frank, 2002: 229), he popularized the post-Taylorist shift to the ‘Free Agent Nation’ (Frank, 2002: 180, 204), an ideology that dubiously reframed ‘down-sizing’ as workplace liberation (Frank, 2002: 216, 218; Hamel, 2000). Its variants included Idealab!’s disastrous funding for entrepreneurial start-ups (Frank, 2002: 246) and E*Trade’s market socialism (Frank, 2002: 91).

Before he departed General Electric, Jack Welch had been universally hailed as America’s greatest corporate leader because he had “mastered the quarterly earnings ritual” demanded by Wall Street (Walker, 2001: 25). The reality was that despite his rebel-rousing image, Welch was “actually a company man who rose up through the ranks,” and that his famous decision to end strategic planning “reflected his background as a consummate insider.” (Walker, 2001: 24). After convincing his autobiography’s publishers to for a \$7.5 million advance, Welch was caught having an extra-marital affair with a *Harvard Business Review* senior editor, but the magazine looked the other way. When Amazon.com founder Jeff Bezos attacked efforts to unionize its Seattle-based warehouse, the dotcom press also engaged in self-censorship (Cohn, 2001: 35; Cassidy, 2002: 146; Frank, 2002: 367, 163, 255).

Corporate religions devolved into the pseudo-scientific search for business laws (Koch, 2000) about telecommunications growth and network externalities (Frank, 2002: 158, 354). These laws had limited validity: Razorfish’s IPO (30 April 1999) generated \$4.7 billion in speculative capital, and the resulting hype made it the de-

facto standard for Silicon Alley dotcom consultancies. But they were really oversimplifications of systems archetypes (Frank, 2002: 196). They obscured quantitative scientific research, such as Palm and Handspring founder Jeff Hawkins's study of pattern recognition (Butter and Pogue, 2002: 3), that drove the firm's innovation.

Manifest Destiny?

National foresight analysts have questioned why America came to dominate the 'New Economy' culture. The Clinton Administration embraced debate about the 'digital divide' in the mid-1990s and American workers had a high acceptance of new technology (Corteda, 2001: 127-132). Technological innovation and capital flows echoed previous industry cycles, namely 1950s California, 1970s Silicon Alley and the 1980s telecommunications deregulation (Chandler, 2000; Castells, 2000: 60). This created a 'virtuous circle' for early investors (Cassidy, 2002: 297) which was amplified by cluster proximity to existing industries (film/television broadcast for Los Angeles; publishing for New York City).

Fortune Magazine reporter Joe Nocera contended that deregulated commissions (1 May 1975) drove the major investment banks into speculative capital (Smith, 2002). Amongst his factors "facilitating capital mobility," in the US domestic economy, sociologist Manuel Castells listed "the size of the US economy, entrepreneurship, individualism, flexibility, multi-ethnicity (culturally) and deregularization and liberalization (economically)." (Castells, 2000: 148; Rothenberg, 2001).

This unique combination of micro-economic conditions and organizational mind-sets enabled US firms to access venture capital more quickly than other countries. While they should not be equated with Manifest Destiny, this combination may serve as a geopolitical template for future policy analysis and implementation.

[This Is Not An] Exit Strategy

"It was mass-delusionary self-gratification. Everybody feeding on everybody."
— Esther Dyson, dotcom author (Kaitt and Weiss, 2001: 300)

Although there were early tremors, the NASDAQ crash of 14 April 2000 even caught Bill Gates and George Soros by surprise (Cassidy, 2002: 285, 287, 289). Gates had spent most of the late 1990s fighting a protracted antitrust lawsuit (Auletta, 2001; Bank, 2001) and fighting "the dance of blind reflex" caused when Microsoft's internal management became "burdened by unmanageable complexity." (Bank, 2001: 98). Soros promoted his "reflexivity" model of why financial markets oscillate between extremes (Cassidy, 2002: 249) before his Quantum Fund was 'burned' and he refocused his attention on philanthropic activities. Many other dotcom analysts and employees were to endure 'course corrections.' Merrill Lynch reached a public settlement of \$100 million on Henry Blodget's forecasts. Both he and Mary Meeker faced lawsuits from angry investors (Cassidy, 2002: 310). A 'mini-cycle' of dotcom schadenfreude became popular (Kaplan, 2002). Dotcom requiems were sudden: when "Silicon Alley servers went dark, the companies quickly faded, and so did all of the creative content they once housed." (Kaitt and Weiss, xii). Failing Webzines warned of the demise of original content (Honan, 2002a; Honan, 2002b; McKinnon, 2001; Morton, 2002), despite the growing popularity of personal blogs.

The first explanations of its demise focused on the 'New Economy' as a contemporary mass hysteria. This explanation is too trite for a \$5 trillion economic loss, too prosaic for thousands of ruined lives. It would be more realistic to describe it as a form of 'consensus reality' (Tart, 1986: 86, 90-105) akin to group autohypnosis, a period that promised individual growth whilst paradoxically being an obstacle to it. Individual variances in perceiving the environment had converged to group expectations. (Sherif, 1966: 138, 128). Even so, the NASDAQ crash was a future Wild Card that should have been considered and prepared for (Petersen, 1995; Petersen, 1999). Some forward-looking individuals made it through the gate in time (Rushkoff, 2001).

The 'New Economy' and the US political system relied, Manuel Castells noted, on "analysts' and investors' value judgments about company performance, a recombinant process that relied upon trust and group expectations to mitigate against multiple environmental factors, speed, and the sheer volume of daily electronic transactions." (Castells, 2000: 156, 159). The institutional and social factors that have compromised these value judgments have become more apparent with the Enron and Worldcom collapses, and the revisions, in early 2002, of corporate financial statements. The general public has become more aware of how image management has defined business ecosystems (Auletta, 2001: 216; Lasn, 1999). Entrepreneurial innovators have reacted to this climate by re-embracing a mind-set that simulates paranoia to enhance competitive positioning (Auletta, 2001: 327; Grove, 1999).

Rather than settling for superficial explanations or retreating into the beachhead of strategic positioning, the foresight practitioner can learn the most from the 'New Economy' failure by tolerating ambiguity and embracing its complexity. Case-studies that have captured the underlying dynamics are already becoming apparent. Clay Shirkey observed that "a handful of cultural institutions . . . absolutely mapped the history of the Alley." (Kaitt and Weiss, 2001: 80). Two examples are Razorfish's senior management battle (St. John, 2000) and Webvan's rollout of food delivery services (Mendelson, 2001). A new initiative (Webmergers.com and Robert H. Smith School of Business, 2002) hopes to archive key business documents for future study.

The reasons why dotcoms failed to implement capabilities for pragmatic and social foresight are numerous. For individuals, they included susceptibility to sociological propaganda and unquestioned orthodoxies; belief in media reportage and analysts as informed elites; a superficial knowledge of age-cohort analysis, historical trends and scenarios; and an unawareness of lifecycle patterns. For organizations, they included a misunderstanding of foresight methodologies; a narrow application of environmental scanning to only the most obvious factors; groupthink isolation of potential change agents; a short-term focus on market-share shareholder profitability at the expense of long-term growth; difficulty in handling complex abstract environments; and the betrayal by senior management of its leadership ethos and financial responsibilities. US society enjoyed socioeconomic growth, but the Federal Reserve and the Securities & Exchange Commission are still yet to develop as 'institutions of foresight.'

The 'New Economy' did spark one intriguing trend: after the euphoria had subsided, business schools, intelligence agencies, and non-government organizations all received record applications. This group may have self-selected itself, after its dotcom misadventures, to be the next generation of foresight practitioners.

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