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Finance

Fri, Mar 10, 00

Mozambique makes only a blip as cyber mania takes control

By NIALL MCKAY

In Silicon Valley it's hard to escape the technology industry. Dot.com advertisements scream at you from every corner of the commercial world. As much as four out of six TV ads tout websites that will revolutionise some aspect of your life. Radio airwaves are packed with the wwwdotsomethingdotcom. Even National Public Radio (the US equivalent of the BBC) has caved in and now practically every programme is brought to you courtesy of a "new millennium" this, or an "electronic economy" that. Driving up Highway 101 from San Jose to San Francisco commuters are bombarded by billboards that urge them to join one of the many companies that are creating the dot.com revolution.

Technology and the Internet have become America's national disease. The mass media almost totally ignored the disaster in Mozambique in favour of spouting rubbish about the denial of services attacks by hackers on sites such as Ebay and Yahoo. Expert after expert was trotted out for nearly two weeks to talk about cyber terrorism when the websites hit were only out of action for several hours. And let's face it, unlike Mozambique, nobody died.

But here, everybody is fearful that something, anything, will spoil the lavish moneymaking spree that has been created by the technology industry.

It's a type of conspiracy - as if a whole nation has lost its reason and is in some bazaar Stepford-like dream that technology will solve all problems.

At the same time, the nation is watching and waiting for the stock market bubble to burst.

Stockbrokers, entrepreneurs, venture capitalists, even the companies themselves know that at some stage in the not too distant future the market is going to tank.

But like the dysfunctional family - nobody is allowed talk about it.

Billions of dollars were knocked off Microsoft's stock when its CEO Steve Ballmer dared to say that many tech stocks were overvalued.

And two weeks ago, Republican congressmen all but vilified the President of the Federal Reserve Mr Alan Greenspan for committing the capital crime of warning people that this prosperity can't go on and trying to slow down the rapidly overheating economy. His argument goes something like this: The wealth effect created by a rising stock market boosts consumption, before the projected rise in productivity has a chance to take place and hike the economy's capacity for producing goods. The result: an economy growing too fast for its own good - and one that risks skidding out of control. He is trying to avoid the boom and bust syndrome of the 1980s and 1990s, but the shortsighted, the stupid or the just plain greedy don't want to hear it.

"It is a new world we are dealing with," warned Mr Greenspan. His solution is to try to slow down the economy to deal with these changes.

But how? By raising interest rates? By warning investors that it's not an question of if but when the correction is going to come.

The problem is that the Internet economy doesn't really increase production because it doesn't produce anything except bits and bytes. True it may make some aspects of life more efficient and therefore produce time.

But what are Americans going to do with that time except buy more foreign goods.

Nowhere is this overheating more evident than in Silicon Valley. Supply is now outstripping demand in all aspects of life. Dot.coms can't hire enough staff so they are paying well above the average. Housing is at crises levels. So rich tech-workers are paying astronomical prices for shoddy housing with company stock.

Recently, a friend of mine put in a bid of \$750,000 (#780,031) for a two-bedroom house bordering on one of the cities most dangerous slums. He lost the house because one competitor waived his legal right to have the house surveyed.

His accountant dismissed his sob story with: "Look you're trying to buy an overpriced house with artificially inflated stock," he said. "Live with it."

But he's one of the lucky ones because at least he has overpriced stock. By contrast teachers in Silicon Valley earn between \$30,000 and \$50,000 per year. So buying a house is impossible and the average one-bedroom flat rents for about \$1,300 per month. Deduct \$10,000-\$15,000 for taxes and what are you left with? And without good teachers, it's hard to get good students and without them where do you get your next generation of Internet millionaires?

Sound familiar? You betcha.

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