



New Economy – The End or Just the Beginning?

By Michael Mahoney
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The press equated the digital revolution with e-commerce ... but it's really about a much deeper set of changes.

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So if the New Economy is not defined by the success of the dot-coms, what is it?

"This is a structural change in the economy that happens once about every 50 years," Atkinson said. "Last time -- in the 1940s and 50s -- the New Economy was the change from small manufacturers to a mass-production corporate consumer economy. Information technology is the driver -- it has nothing to do with whether or not some dot-coms go out of business."

Mitchell Levy, author of the book "[E-Volve-or-Die.com](#)," agreed with Atkinson, saying that peaks and valleys are a natural part of the current New Economy landscape.

"[The New Economy] is part of the third major age in our societal growth," Levy said. "First there was agricultural, then industrial, and now the Internet age -- and we haven't even begun to really enter the Internet age yet. There are many 'New Economies' when a

Pick up virtually any major media publication covering the dot-com shakeout of the past year and you are likely to come across a slight variation on the following theme: "the New Economy was a bust."

The theory goes something like this: the Nasdaq has bottomed out, the New Economy business models adopted by the dot-coms did not work, and investment capital in information technology has dried up. Combined with the recent negative economic indicators, we are told that it is obvious that businesses must get back to "Old Economy" fundamentals and forget all this talk about capitalizing on the next "new new thing."

But was the New Economy really a complete hoax? Many economists actually consider e-commerce to be only a small portion of what the media collectively calls the New Economy. And despite the media's Chicken Little cries that the sky is falling, these experts say that the New Economy is alive and well.

"I think the press has got the story fundamentally wrong," Dr. Robert D. Atkinson, director of the Progressive Policy Institute's project on Technology, Innovation, and the New Economy, told the E-Commerce Times. "The press equated the digital revolution with e-commerce -- they thought that's what it was all about, but it's really about a much deeper set of changes."

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change in the way we conduct business occurs, bundled within these three ages of business."

Out with the Old

In other words, the New Economy commonly referred to by the press is actually a subset of a much bigger picture. As described by Levy and Atkinson, the true New Economy consists of dynamic global markets characterized by flexible, digitized production -- where risk, innovation, being first-to-market, and forging strategic alliances rule the day.

So where does that leave all the pundits who say the New Economy is dead, and Old Economy principles are required for e-businesses to survive?

"The only Old Economic principle [that e-commerce companies] have to rely on is to make money -- beyond that things have changed," Atkinson said.

Back to School

Both Levy and Atkinson pointed to several New Economy principles that e-commerce companies will have to abide by if they expect to succeed in the next dot-com evolution.

"Owning a piece of the process is a New Economic principle that still applies," Levy said. "If companies can figure out how to own part of the business process ... they can succeed. From a management style perspective, the old days of business plans that last five to six years are now gone."

Added Levy: "That was Priceline's problem. They didn't modify their vision after seeing what their customers were interested in."

Custom Job

Atkinson said that succeeding in the New Economy is about providing highly customized information, services and products.

"Speed is critical," Atkinson said, adding that the importance of being first to develop new products or services intensified with the dot-com explosion, and that has not changed.

Both analysts also said that operational models should become less hierarchical, and companies should find ways to allow employees to pass ideas to upper management.

"Some of the best ideas come from the bottom but only get implemented top down," said Levy.

Looking Up

According to both analysts, the death of the New Economy and the fallout from the dot-com shakeout have been greatly exaggerated.

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"Smart companies will figure out when we're about to hit peaks or valleys," Levy said. "We'll have similar excitement about dot-com companies again."

Atkinson added that "there are many different areas where e-commerce will dramatically change what we do and how we do it."

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