

# Theory Workshop #1

## *Economy*

Comm 181F  
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# This Workshop

These workshops are self-paced overviews and information references that provide critical knowledge to help you succeed in this course.

This workshop covers tips theories of technology that provide background for your course research project.

This workshop is based on material from:

Burett, R. and Marshal, P.D. (2003). *Web Theory: An Introduction*. New York: Routledge

# When Things Changed



The web economy emerged in 1999 with the confluence of the interest of large retailers in online sales; the maturation of the inventory networks and relationships of businesses such as Amazon and eBay; obvious sales tax benefits; increased use the internet by the public; and the economies of scale of being able to reach distributed markets - that is - not needing a geographically proximate customer base.





# Web as Library

The “borrowing” privileges for digital content (perfect copies are infinite).

Organization to find items (hypertext/card catalogue).

Value is more often decided by availability and user.



# Gift vs. Commodity



Information/knowledge was widely seen as a cross generational gift (“information wants to be free”) and the web was founded on this ethos.

However, since information/knowledge is also a commodity to be bought and sold, this confounds the idea of “ownership” and “rights” and can make business online problematic (see recording industry).



*Coca-Cola*

# The Old New Economy

Capitalism is more about the value of ideas and faith in them than material things.



The new economy/dotcom boom was the latest in a long line of innovations that was supposed to change the basic rules of business (see railroads, clipper ships, etc.) but didn't.



The belief of the value of a company = the actual value until enough people no longer believe it. This is what happened in the dotcom bust of 2000 and the recent financial collapse.

# Breaking Down Divisions

The web allows for the normal barriers between businesses and consumers to breakdown, so intermediaries are no longer needed. People can buy directly from small businesses located in other states or countries, directly from service providers (airlines, hotels), each other (eBay, Craigslist), as well as business dealing directly with each other.



# New Economic Models

**Peer-to-peer Crowd Sourcing** (Facebook): User generated content on proprietary platforms generates revenue via marketing data or ads.

**Long Tail** (Anderson)[EG. Amazon, Netflix, HD Jukebox]: Selling large mounts of more obscure items to many people.

**"Freemium"**: What's free - Web software and services, some content. Free to whom: users of the basic version. (think Flickr and the \$25-a-year Flickr Pro)

**Cross-subsidies: What's free-** any product that entices you to pay for something else. **Free to whom: everyone willing to pay eventually, one way or another.** In any package of products and services the price of each component is often determined by psychology, not cost. Your cell company may not make money on your monthly minutes — it keeps that fee low because it knows that's the first thing you look at when picking a carrier — but your monthly voicemail fee is pure profit.

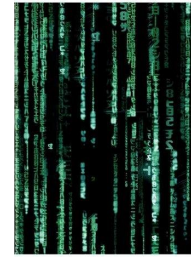
**Zero marginal cost: What's free - things that can be distributed without an appreciable cost to anyone. Free to whom: everyone.** This describes nothing so well as online music. Between digital reproduction and peer-to-peer distribution, the real cost of distributing music has truly hit bottom.

**Labor exchange: What's free: Web sites and services. Free to whom: all users, since the act of using these sites and services actually creates something of value.** The act of using the service creates something of value, either improving the service itself or creating information that can be useful somewhere else (eg. captchas and porn).

**Gift economy: What's free: the whole enchilada, be it open source software or user-generated content. Free to whom: everyone.** From Freecycle to Wikipedia, we are discovering that money isn't the only motivator. In a sense, zero-cost distribution has turned sharing into an industry.



# Unnatural



Media and economic systems and norms are **NOT** natural. They develop over time based on the interplay of technology, politics, culture and self-interested parties working for their own advantage.



# Task

To earn credit you need to post a substantive 100+ word comment on this workshop's wiki page and complete the following tasks and bring them to class.

For the in class workshop think about how these concepts and ideas reflect, contradict, or interact with C3 in Castells and you own experiences with the web economy.

1. Select examples (1 each) from the workshop and C3 in Castells that focus on the web economy.
2. Write a sentence or two on how these examples relate to each other.
3. Write a few sentences on how these examples interact with your own experiences of the online economy.
4. Teams will discuss and compare their tasks and prepare a 10 minute presentation on the topic of the workshop. This is not just a reading of each students task submission but a coherent discussion where the elements interact and support each other. One team will be chosen at random to present.
5. Turn in tasks sheets for credit.