

CNET News.com



[Perspectives]



Change at Net speed

October 7, 2004, 4:00 AM PT

By [Nicholas Economides](#)

[PRINT](#) [E-MAIL](#) [YOUR TAKE](#) [SAVE](#)

Congratulations to the Internet, which believe it or not, turned 35 years old last month.

There's no denying that this invention--which started in a lab with two computers connected by a 15-foot cable, and which never reached the average person until 10 years ago--has caused the most upheaval in our economy since the steam engine. Perhaps the best way to ponder the Net revolution is this: Imagine if you will a stage, on which I have assembled (behind a curtain, of course), the industries that the Internet is leaving in its wake.

Our first visitor was shell-shocked by the advent of e-mail, which put our lives and our need for immediate gratification into overdrive. With laptop computers, [BlackBerrys](#) and even cell phones now bringing e-mail to us instantaneously, the U.S. Postal Service is becoming obsolete, with snail mail becoming the communications choice of last resort. Postman, come on out and introduce yourself to a crowd that rarely sees a [postage stamp](#).

The family used to gather around our next guest to listen to Benny Goodman, Abbot and Costello, Amos and Andy, and Orson Wells' "War of the Worlds." A younger generation can now download hundreds of songs off [iTunes](#) and stream audio collections posted from their favorite Web sites. That's why, during the last five years, more than one out of every 10 radio listeners between the ages of 25 to 34 stopped listening to our next guest.

Radio business, come on out, and don't forget to bring with you the radio titans, Clear Channel, Citadel Broadcasting and Cumulus Media, who have watched their stock prices plummet 23 percent, 40 percent and 26 percent, respectively, in the last year.

The U.S. Postal Service is becoming obsolete, with snail mail becoming the communications choice of last resort.

Like its compatriots, newspapers are also becoming a relic of a bygone era, when people ran to their sidewalks in the morning to get the morning news. News clips are e-mailed to our desk, and we can check news sites 24 hours a day. In fact, fewer people read the newspaper today than when John Kennedy was president, with circulation falling by over 7 million papers since 1990. Perhaps feeling the heat, reputable papers like Newsday, the Chicago Sun-Times and the Dallas Morning News have all admitted to falsely inflating their circulation numbers.

What's more, newspaper advertisers, seeing the writing on the wall, have started what one leading observer has called a "10-year migration of dollars" from newspapers to Web sites. Newspapers have watched their [revenue from help-wanted ads](#), for instance, plummet by more than \$3.7 billion in the last five years, while online job boards saw their revenue rise by nearly \$700 million during the same period. Not to put too fine a point on it, but the Internet's birth marks the beginning of the end for the newspaper age. Let's have the newspaper come on out from behind the curtain to pass the torch.

Our final friend may be less obvious to guess, as the Internet has only recently set its sights on it. With nearly 183 million telephone lines used today, nearly every American continues to have a home telephone. With the blessing of the White House, Michael Powell, the chairman of the Federal Communications Commission, has shepherded in new rules that mark the end of telephone competition as we know it. As the Bell telephone monopolies reconcentrate their power, consumers are now facing higher phone bills, fewer choices and less innovation.

Newspaper advertisers, seeing the writing on the wall, have started what one leading observer has called a "10-year migration of dollars" from newspapers to online Web sites.

Given the pent-up demand for phone competition, it is not surprising to see the Internet come to consumers' rescue, as cable providers, the Bells' competitors and new carriers begin to shuttle low-cost, reliable telephone service over the Internet using VoIP ([voice over Internet Protocol](#)). With unlimited long-distance and local phone service costing roughly \$35 a month and dropping, the Bells' victory at the FCC could be short-lived. Would the four Bell companies--SBC, Verizon, Qwest and BellSouth--who appear to be quaking in their boots behind the curtain, please come say hello to your newest and strongest rival.

Of course, there are many Internet successes who send their birthday best wishes but just can't be with us. One happy Internet darling is [Google](#), who's recent IPO netted the search engine giant \$1.7 billion. eBay, Monster.com and Match.com, all wildly popular Web

sites, have also transformed old ways of doing business. They, unfortunately, were also too busy to join us today.

As the Internet moves into adulthood, transforming our lives even more, only time will tell who we bring out from behind the curtain in the next 35 years.

biography

Nicholas Economides is a professor of economics at New York University's Leonard N. Stern School of Business and the executive director of the Networks, Electronic Commerce and Telecommunications Institute.

[Copyright](#) ©2004 CNET Networks, Inc. All Rights Reserved.