



Worksheet 10.3

Creative Destruction: Google, Apple, Facebook and the future of competition in the market for our minds

Part 1 - Interview questions

In [an interview](#) with *The New Yorker*, Columbia University Law Professor Tim Wu, who coined the phrase ‘net neutrality’, shares his views on the ‘cycles’ of competition in the communications industry, from radio, telephone and television in the 20th century to the Internet and the ‘mobile web’ today.

The interview discusses many of the pros and cons of perfectly competitive markets (represented by the ‘chaotic’ period of any new communications technology) and imperfectly, more monopolistic industries (represented by the period later in the cycle of any communications technology when market power becomes concentrated among a few large firms).

Watch the interview and pause it along the way to think about some of the questions below.

Questions:

1. Why are new communications industries often characterized by ‘chaos’ in their early years? How did the internet industry reflect the perfectly competitive characteristics in its early days, or even 10 years ago?
2. How are consumers affected as communications industries go from ‘chaos’ to control under big companies like Apple and Google?
3. How does the behavior of firms like Google and Apple demonstrate the concept of *non-price competition*?
4. Would the technology industry be more efficient if it were more competitive?
5. Can you envision a world in which all of our online activities are done through one company, i.e. the ‘Googlenet’ or the ‘Facebooknet’ instead of the ‘Internet’? Would that world be better or worse than what we have now? Why?
6. How is the communications industry today similar to the telephone industry 30 years ago? How is it different?
7. Tim Wu suggest that in the future there will be no internet. Discuss as a class what you envision as a possible successor to the internet.
8. If you had a time machine and could travel back to 1970, how would you try to explain to someone on the street how we communicate with one another in 2011. How would you have tried to explain the Internet and smart phones? Do you think someone from 1970 would believe your descriptions



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of products like Skype, like Google, like a phone you could watch movies on, like video chat, like ‘Google goggles’, etc...?

9. If someone from 40 years in the future arrived in 2011 and tried to explain to you how humans are communicating in 2050, do you think you would believe them?
10. Economist Joseph Schumpeter referred to capitalism as a system driven by a system of ‘creative destruction’. How does the history of the communications industry demonstrate the concept of ‘creative destruction’?

Part 2 - Imperfect competition in the news

Imperfect competition in the News: After watching the video and answering the questions go to [Welker’s Wikinomics Universe ‘Econ News’ section](#). Browse the headlines from the various news feeds and look for articles that you think may be about non-price competition between firms in a monopolistically competitive or an oligopolistic market.

When you’ve found one good article, read through it carefully and look for examples of non-price competition between the firms in the industry the article discusses. Write a one paragraph analysis of the article, indicating how it demonstrates competition between the firms. Turn this in to your teacher, or bring it to class to discuss with your classmates.