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Goosing the Internet

How one businessman helped Silicon Valley replace Wall Street as the world's economic epicenter

By Marc Spiegler

Ten years ago, as the decade of the go-go '80s started sputtering, Michael Lewis put its Wall Street culture into sharp and sometimes comic context with "Liar's Poker" Hired into the rapidly bloating Salomon Brothers at age 24, with no finance experience, he had become a top bonds salesman. Three years in, he left behind Salomon's $250,000 annual compensation package and wrote "Liar's Poker" At the time, it seemed he had been fortunate to land squarely at the nexus of a never-again market glitch, which he labeled "Possibly the most absurd money game ever."

It took only a decade to make that pronouncement ludicrous. We now know the '80s were a Roman candle compared with the dynamite rocking the markets of the Internet era. Tracking the world's economic epicenter to its new home, Lewis' latest book, "The New New Thing," charts the story of Silicon Valley's rise from Geek Central to factory of fortunes. The tale has its surreal side. If Lewis was wildly overpaid at Salomon (as he freely admits), at least he made money for his firm, which at the time was recording staggering profits. In contrast, most of today's newly minted millionaires work for companies steeped in red ink, starting with Amazon.com Inc. and dropping sharply in likely profitability from there. The World Wide Web's first business model--as a venue for advertiser-supported content--is on its way to a rightful oblivion. No matter; other models--portals and e-commerce are this year's buzz--have been just as wildly embraced. "In this new world skepticism was not a sign of intelligence," explains Lewis. "It was a sin."

Written in a clean narrative style, "The New New Thing" succeeds best at revealing the process by which Internet companies--with their scant assets and vertiginous outlays--reach market valuations that dwarf those of long-established giants in all other industries. Lewis' central character is Jim Clark, best known for launching Netscape, the Web-browser company. But before Netscape, Clark had formed Silicon Graphics Inc. which made high-end workstations. The experience scarred him badly Although SGI made millions for many people, including Clark, the biggest winner was the Mayfair Fund, a venture-capital outfit run by Glenn Mueller, who eventually gained control of the company. Embittered by this seeming injustice and shunted aside by the suits Mueller hired, Clark abandoned his SGI work for various hobbies. Finally, inevitably he quit

Revenge came with stunning rapidity: Within months, Clark had founded Netscape, which transformed a cool academic project called Mosaic into the first widely used Internet browser This time, Clark had vowed to keep the bulk of the initial-public offering money in engineers' hands by allowing the venture capitalists and the financiers to buy only small stakes and gouging them when they did it. The engineer with the biggest share, of course, was Clark, and Netscape's IPO made him a billionaire overnight. (Mueller, Clark's nemesis at SGI, had killed himself the day Netscape incorporated; the night before, Clark had refused to cut him into the deal.)

The stupendous success of Netscape's 1995 IPO, Lewis argues, revolutionized Silicon Valley's economy. "Having a past actually counted against a company, for a past was a record and a record was a sign of a company's limitations," he explains. "Never mind that you weren't actually making money--there'd be time for that later, assuming someone eventually figured out how to make money from the Internet .... The most appealing companies became those in a state of pure possibility. Which is to say that the U.S. capital markets acquired the predilections of Jim Clark." This headlong abandonment of the present in favor of the future serves as Lewis' connecting thread for "The New New Thing." Having chosen his sound-bite concept—that the new economy, like Clark, always voraciously seeks the next idea that will transform millions of lives--Lewis then does his best to pound it into the reader's head by sheer force of repetition (I stopped counting after it appeared seven times on Page 15). To him, it is not just Jim Clark's *modus vivendi*, but also the driver of the whole Internet economy

Yet once you throw the past out the window, reason rapidly gives way to greed and fear. Lewis offers a stunning example: By late 1995, when Clark rolled out the project that would become Healtheon Corp., a flock of venture capitalists had become terrified of missing whatever boat he cared to helm. Clark's new company aimed to cut the Gordian knot of America's health-care system and turn it into a fiber-optic cable streaming dollars. Neither Clark nor any of his engineer employees knew much about the health-care industry, but that didn't give anyone pause. It was like a Boy Scout squad deciding to scale Everest. A year later, the company was considered a worthless write-off by some of its key investors. Worse yet, it needed $20 million to keep going. Yet when Clark offered to put up the cash in exchange for greater equity, the money men suddenly changed their minds. "The [venture capitalists] could tolerate companies' going bust but they could not tolerate missing out on the new new thing," explains Lewis. 'And so they poured their money in. They threw good money after bad into an enterprise they suspected would fail." When the IPO came in early 1999, everyone made fistfuls of money; Clark's share was worth $1.3 billion. Amazingly it's not clear that any of the people involved--from Clark to the venture capitalists to the day traders running up the stock--had any real grasp of the health-care industry's intricacies or how Healtheon might turn a profit. Luckily for them, there's always someone who understands even less.

Of course, by the time Healtheon went public Clark was already searching for the next venture. Given Clark's manic business approach, it's no surprise when Lewis writes, "You didn't interact with him so much as hitch a ride on the back of his life." Unfortunately this means the reader witnesses a series of actions without gaining any deeper sense of Clark's motivations. This flatness makes it a less-compelling book than "Liar's Poker," in which the central character was Lewis, who came off as a basically likable, urbane man surrounded by venal freaks. Clark, by contrast, appears to have an emotional life built around little more than insane competitiveness and technological wanderlust. Not that Lewis doesn't dig for insight. He exhaustingly recounts Clark's obsession with *Hyperion*, a Dutch-built behemoth of a boat that the billionaire hopes to make completely computer-controlled. On the boat's first, failed, trans-Atlantic journey all manner of mechanical mishaps ensue.

Unperturbed, Clark sees the whole fiasco as a huge technical problem, not an epic waste of money and nautical talent. But where the high-stakes games of liar's poker (played with dollar bills instead of cards) served as a metaphor for the combination of bluff, bravado and analysis that ruled Salomon, the story of Hyperion reveals little more than Clark's financial excess and childish need to have the biggest, most technologically complex toy on Earth.

If Clark is indeed the driving figure behind the Internet economy, what does that say?. For most of the book, Lewis paints a man driven by pure greed. Toward the end, the writer hazards a guess that what actually drives Clark is the challenge of undiscovered territory; money merely serves as a scorecard. But that distinction is minor, Clark rarely explores unprofitable terrain. And when you look back to examine the path Clark has cut, it's not-so-pretty scenery: Silicon Graphics is stumbling badly; Netscape was swallowed by AOL; over the last six months, Healtheon's share price has dropped below $35, down more than $85 from its peak price of $120. Clark's companies, it seems, have succeeded best at making him rich; their futures are quite short and often brutal. What about his role in helping create the vaunted new economy. Today, hundreds of companies--and, by extension, the lives of their employees, customers and investors--ride along on a tsunami of hype, jargon and vague promise. One question looms: Can we really afford this boom?

Sidebar review

Will E-Work For Food

New-media types speak derisively of “shovelware”--existing content, such as books or magazines, that is merely reformatted onto a CD-ROM or Web site. But the dumping flows both ways.

"NetSlaves," written by two computer journalists, compiles stories from www.netslaves.com, a clearinghouse for Internet-industry horror stories. It's a strong rejoinder to the notion that every e-worker makes millions, unleashing a litany of stories from the sweatshop side of the industry: graphics tweakers pumping out Web pages on week-to-week contracts; rent-a-cop bulletin-board monitors; consultants trapped between ogre bosses and demanding clients.

If you plan to get rich working online, it's worth reading as a cautionary tale. Otherwise, forget it. Posited as a modem-day version of Studs Terkel's "Working," it builds a flimsy taxonomy of the wired world's workers, treats random examples as archetypes and employs grating pseudonyms for easily recognizable computer companies. An interesting topic, unfortunately fumbled.

Marc Spiegler is a freelance writer and journalist.