

Posted to the Gilder forum - February 22, 2001

In defense of Telecosm

In a thread a ways down, in the Harvard Business Review, and in many other places there is a lot of criticism of Telecosm - the book, of GG's writing style, of a lack of technical knowledge, of the GTR. They all have an ounce of truth in them and maybe even a pound of truth. But they miss the point altogether.

Instead of taking on these criticism one by one, let me simply say why I like Telecosm - the book, GG's writing style, and the GTR. I'll let the criticism of Forbes stand, I agree with that part!

Why am I interested in the GTR and in the Telecosm? Because I find them valuable investment tools. There are eight or ten thousand stocks out there. I need a filter. One way to reduce the clutter is to find an "ascendant" industry. Most of what happens in the Telecosm fits the "ascendant" adjective (or is it adverb?). There are dozens if not hundreds of publications out there that talk about the subject but all except the GTR have the wrong approach for my purposes.

Let's take the financial analysts. They are only interested in what happens this quarter, well, maybe in the next few quarters. That is way too short a time to appreciate the evolving future of the industry. Sure they throw around demand numbers for a few years down the road. But these are naked numbers, not anything that I can relate to real life. How can I tell if a forecast of half a million users in 2004 is right or wrong. I cannot. An industry like the Telecosm is not a series of isolated events (1/2 million handsets in 2001) but a continuous process (1G, 2G, 2.5G, 3G). This I understand even if I don't know the speed of it. Finally, I don't think that most financial analysts are honest brokers, they have their masters and they work for their masters, and not for me.

Let's take high tech publications. They are probably technically very savvy but most of the details of the technology is way above me. Let's face it, I don't really care if a CMOS-HBT sandwich has mayo or not. In effect, the expertise that these publications have is of no mayor help to me in understanding what I should invest it. With the exception of some reports from McKinsey and Co. most of the stuff I have seen deals with the bricks and seldom with the architecture. Way

too narrow a focus for my purposes.

So where does that leave GG? First of all, a point that most everyone seems to ignore or forget. For me, GG is first and foremost an economist. As an economist he deals with supply and demand. Don't ever forget that GG had an important role in establishing supply side economics in the Ronald Reagan presidency. In this sense, GG is co-author of the economic boom we have had for the last 15 or 20 years. What drives supply and demand? Abundance and scarcity. Ever since he wrote Microcosm (maybe even earlier), GG has been seeking the defining abundance and the defining scarcity of the age and using that as his foundation he makes his predictions. Nowhere else have I seen this approach taken, at least, not in a source that is available to me. Why does GG keep on talking about Moore's Law and Cao's Law? Because they are the driving force behind the defining abundance of the age. Everything else is details, just details. And the details change at an ever faster pace. Spectrian is in, Spectrian is out. Point to multipoint radio is in. Point to multipoint radio is out. Level 3 is in. Level 3 is out. These are just the details and not the driving force behind it all. The two driving forces are abundance and scarcity and that is what you should worry about and that is what GG talks about.

Once you have clearly established which are the driving forces, you can find out which companies produce or take advantage of these driving forces. Lambda is synonymous with Avanex and Cao. Spread spectrum is synonymous with CDMA and Qualcomm. Latency of light is synonymous with Mirror Image. Mobile worldwide telephony is synonymous with G*. And this is where GG stops being useful because now you have to apply standard investing criteria before you put your money on the line. None of GG's flowery flowing poetic writing will help you with these hard choices. A much better author at this stage is Geoffrey Moore with his "Technology Adoption Life Cycle" (TALC) which describes very clearly how the world buys into the technologies and products that GG first dreamed about. Add a pinch of Buffett like valuation and you should be on your very successful investing way.

GG's writing style? I'll let two titans of literature take care of that (from [Brain Candy](#)):

[He has never been known to use a word that might send a reader to the](#)

dictionary.

- - - William Faulkner (about Ernest Hemingway)

Poor Faulkner. Does he really think big emotions come from big words?

- - - Ernest Hemingway (about William Faulkner)

So call me a groupie.

Denny

"Demand creates queues. Supply gets rid of them."

[Software Times](#)