

Posted to the Gilder forum - March 16, 2001

The challenge!

In the March 2001 issue of the GTR, George Gilder has hit on the central problem facing the investor, in eight words:

>>>**The challenge is to find the right companies.**

His response to the challenge is:

The GTR believes the right companies are concentrated in the Telecosm.

I agree but I don't think GG has the right tools to separate the wheat from the chaff. The Telecosm as presented by GG includes the winners and the losers. It is our job as investors to do the next step, to winnow the harvest as it comes in from the fields in the GTR.

For quite some time I have been advocating [The Gorilla Game](#) which is about investing in hi tech but instead of focusing solely on tech, Moore says that a Gorilla Game player has to know about tech and about investing. Moore is also focused on the hi tech market, after all, he is a marketing consultant. The CENTRAL theme behind the Gorilla Game is the birth of the gorilla. The gorilla is born [Inside the Tornado](#), a chaotic ferment out of which NO ONE can predict who will emerge the gorilla. The best technology is no guarantee even if it gives the owner a slight advantage. I have said that the Gorilla Game is the perfect companion to the GTR. GG helps us identify the best technologies and GG tell us when to buy them. Yes, GG squared!

I'm starting to read [Complexity](#) by Mitchell Waldrop. Complexity is the new science that some of the best minds of our time are studying at the [Santa Fe Institute](#). For reasons that I have not yet figured out, the book begins with the travails of Brian Arthur and the theory of "increasing returns" which is turning economics topsy-turvy. It seems that The Gorilla Game is a confirmation or an application of "increasing returns." Complexity (the book) cites many examples of the best technology not winning in the market:

- The QWERTY keyboard
- BETA - VHS

- Steam - gas engines
- Water cooled - gas cooled atomic reactors

and gives some insight as to the reasons. A curious note: the anti-clockwise clock lost out to the clockwise clock! Yes, there were some clocks built that move the other way around!

For additional reading on a fascinating subject I recommend:

<http://www.santafe.edu/arthur/> - pro

<http://slate.msn.com//Dismal/98-01-14/Dismal.asp> - con

<http://slate.msn.com/Features/Krugman/Krugman.asp> - mud slinging

[The More You Sell, the More You Sell](#) - Wired: Brian Arthur's theory of "increasing returns" is revolutionizing economics. It's also why the DOJ stopped the Microsoft/Intuit merger.

Denny

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

[Software Times](#)