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# 'How Internet Became Commercial': Enlightened competition - and regulation

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POSTED: Sunday, February 21, 2016, 3:01 AM



## How the Internet Became Commercial



Innovation, Privatization,  
and the Birth of a New Network

SHANE GREENSTEIN

## How the

## Internet Became Commercial *Innovation, Privatization, and the Birth of a New Network*

By Shane Greenstein

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Princeton University Press. 474 pp. \$35.

Reviewed by

Glenn C. Altschuler

In 1994, Charles Ferguson, a founder of Vermeer, a company aspiring to develop software tools and Internet applications for the newly emerging World Wide Web, had a difficult time attracting investors. In about a year, however, Vermeer auctioned itself off in a bidding war between Microsoft and Netscape, making Ferguson - and the company's investors - immensely wealthy.

In the mid-'90s, the Internet became available to millions. In *How the Internet Became Commercial*, Shane Greenstein, a professor at the Harvard Business School and co-director of the program on the economics of digitization at the National Bureau of Economic Research, traces its evolution from government ownership (and control by the National Science Foundation) to privatization. The process, he argues, encouraged "innovation at the edges" - multiple perspectives originating from multiple places in the industry - and the development of products and services aimed at mass markets.

Although awkwardly written and repetitious, *How the Internet Became Commercial* is immensely informative. Greenstein provides detailed (and generally accessible) accounts of the pivotal role played by the National Science Foundation in establishing standards and fostering unrestricted access as the commercial Internet grew: the browser wars between Microsoft and Netscape; the dot-com bubble (and the fate of WebVan, a service delivering groceries to customers within 30 minutes of an online order); and the role of the Federal Communications Commission and the Institute of Electronics and Electrical Engineers Subcommittee 802.11 in developing rules for WiFi.

Competition fostered growth, but pragmatic government policies (including antitrust prosecutions) "nurtured institutions for the long run" by encouraging dispersed decision-making, giving discretion to a wide set of innovators, and promoting free speech.

No invisible hand guided every actor, nor did the market



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coordinate every innovative decision, as prescribed in classical economics. Instead, the Internet provides a study of the good things that can happen - and have happened - when government and the private sector play active and enlightened roles, finding synergies in robust competition and regulation in the public interest.

Glenn C. Altschuler is the Thomas and Dorothy Litwin Professor of American Studies at Cornell University.

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