



The American
Antitrust Institute

**Book Review: Bruce Abramson, *Digital Phoenix*
reviewed by Diana L. Moss**

Book Review, March 4, 2006

Digital Phoenix. by Bruce Abramson, MIT Press, 2005 (361 pp., \$34.95 hardback)

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In a book market increasingly saturated by accounts of success and failure, and predictions about high technology and the information economy, Bruce Abramson's *Digital Phoenix* stands apart from the rest. One reason is that Abramson is an expert in two of the key areas that necessarily support an informed opinion on the digital economy—computer science and the law. The second is that he combines a good deal of heavy research lifting, insight, and intellectual muscle to weave together a complex and many-faceted story. This draws on both the technical nitty-gritty of information technology and the broader policy issues that are urgently pressing on the digital economy. Fueled by compelling examples such as Windows, Linux, Napster, and the World Wide Web, Abramson argues in *Digital Phoenix* that the information sector lies at the interface between humans and software or other information resources. At the most basic level, that interface can be protected and closely channeled, or unprotected and free to flourish (through open source code and file sharing).

The story starts with the constitutional foundations for the protection of ideas in intellectual property (IP) law, one of the two pillars upon which the information economy rests. A second pillar is the concept of network economies. These are the upward spirals of benefits that come from more and more users adopting a technology or standard. The exploitation of network economies in the operating system market--Abramson explains—was one key to Microsoft's success and its ability to leverage its power to the browser market. The failure to exploit IP and network economies goes a long way in explaining the difference between the successes and failures of the technology boom.

While the concepts of IP and network economies have been around for a long time, the story that Abramson spins around them is very new. First, he explains the blockbuster success of the information economy giants. His treatment of Microsoft's success is one of the most complete and understandable for non-experts. Second, he shows that the potential failure of the information economy hinges on the perpetuation of a legal-economic-political approach to IP that allows for misuse and exploitation (e.g., of patent and copyright protections) that creates entry barriers for new competitors, stifling innovation and growth. One area in which this problem is the most threatening is in

“aftermarkets”--those markets where competition has traditionally provided consumers with choice in the products they need to operate and maintain their original equipment.

Finally, Abramson explains that we have learned at least one important lesson from the collapse of the bubble—“the subtle relationship between the values of liberalism and the lessons of network growth.” And nurturing network growth is at the root of regenerating the information economy. But this is no easy task when grappling with the tension between the effects of technology on “freeing” products and services at the same time law constrains those very goods.

Thus, Abramson concludes, we can “plan our transition wisely by investing in the infrastructure needed to grow our networks.” This means coming up with good ways to ensure that our “economic, technology, and industrial policies evolve coherently to promote both opportunity and incentive.” Conversely, we can choose to perpetuate an *ad hoc* approach to information sector policy and suffer from large and powerful incumbents that “force all innovation through the narrow channels that they control.” Abramson clearly advocates for the former approach. And so should the reader--if the author has done his job.

Digital Phoenix is compelling and important—an enlightening and provocative read for economists, lawyers, scientists, engineers, and students alike.