

Then: The Dot-Com Bubble

by Sophia Tutorial



WHAT'S COVERED

In this lesson, you will learn about the first economic recession of the 21st century. You may be asking yourself at this point how/why, if we learn from history, do economic recessions continue to happen. There are at least two answers to this question. First, new events and situations make predictions and adapting difficult. Second, not everyone studies history and learns from the past. In general, though, those who do are better able to adapt. Specifically, this lesson will cover:

1. The Dot-Com Bubble



BEFORE YOU START

How did the economy adapt after the dot-com bubble?

1. The Dot-Com Bubble

The United States experienced an enormous jump in economic growth in the late 1990s, a phenomenon commonly referred to as “the dot-com **bubble**.” The internet became widely available in the early 1990s, and soon people were using it not just to communicate but also to buy things.

The mid-1990s brought a flood of new web-based businesses, often called “dot-coms” in reference to the “.com” in their URLs. Investors were eager to put money into the new enterprises, and many company founders and early employees profited handsomely when their businesses became publicly traded on the stock market.

However, not all dot-coms turned out to be good investments. Whether they were online stores or websites providing news or other services, many never managed to turn a profit. In mid-2000, the bubble popped. Many dot-coms went bankrupt. Some people lost the money they had invested, while others lost their jobs.

After the bubble burst, people relied on their **agility skill** and the ability to learn new skills to weather the ensuing economic downturn. Those who were able to go back to school or develop new skills were more likely to get their careers back on track.

Another important factor in being able to withstand the crisis was the ability to save. This was a time of great expansion, but the companies that thrived balanced expansion with savings. Those that could maintain their balance during this often chaotic time were able to stay afloat. As such, the story of the dot-com bubble and its aftermath holds many lessons for those interested in starting their own business today.

These factors applied to individuals as well. People who had savings and backup plans were less negatively affected than those who did not, as they were able to withstand a period of unemployment and invest in learning new skills to find a new career path.



Agility: Skill in Action

Amazon was one of the big companies to survive the dot com bubble. Amazon, who started out selling just books, survived because many of its rivals failed. Amazon not only had a long term plan but the agility to adapt as customer wants and needs changed. Now a trillion dollar company, Amazon changed the way we look at online shopping.



TERM TO KNOW

Economic Bubble

A period of rapid economic expansion fueled by an overvaluing of stocks or other assets due to unrealistic expectations of growth.



SUMMARY

In this lesson, you learned about an economic recession in the United States in the early 2000s that followed **the dot-com bubble**. You also learned that businesses and individuals who were agile were better able to withstand the crisis.

Best of luck in your learning!

Source: Strategic Education, Inc. 2020. Learn from the Past, Prepare for the Future.



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