

October 2010



*The Googleopoly risk to America's recovery . . .*

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# A 'U.S. Road To Recovery' Series Presentation

This collateral piece presentation is for reading, not presenting.

Presentation excludes SMITH-TRG and client  
proprietary or confidential information.

*The insights and views expressed are solely those the author's  
and not the views of SMITH-TRG client's.*

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***introduction***

- ***SOME ‘Inconvenient Realities’ FACTS***
- ***THE ‘Googleopoly’ RISK***
- ***WHY ‘Wealth Plan’ NOW***

## *introduction . . .*



Richard D. Smith is Founder & President of SMITH-TRG a business performance and value creation advisory firm and Chairman of U.S. Road To Recovery LLC whose mission is to help Build Sustainable U.S. Job Growth & Wealth Creation Machines for the 21<sup>st</sup> Century.

Smith writes frequently on national economic issues, visioning, innovation, emerging markets, digital-media, enterprise transformation, and value creation. In 2010 Richard authored *Re-igniting America, 'A Transformative Path to Economic Prosperity'* and in 2009 the *U.S. Jobs Creation Plan, 'Defying the Downturn'*.

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*As in seven previous U.S. Road To Recovery related studies SMITH-TRG considered how shifting Wall Street activities, Federal policies, business trends, emerging markets, employment demographics, declining state revenues, and consumer behavior have impacted the national economic infrastructure.*

*This presentation highlights and speaks to how FREE, once heralded as the 'Future of Business' and relentlessly championed by Google, is in reality jeopardizing the nation's social fabric and exacerbating its economic recovery future.*

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Part 1:

**SOME**

*'Inconvenient Realities'*

**FACTS**

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# 43.6 Million Americans (14.3%)

lived on less than \$5,500  
a year in 2009. Up from  
39.8 million in 2008.

2009, 1 in every 7 Americans  
live in poverty.

Source: US Census Bureau



# \$13.6 Trillion

Total National Debt

Per Citizen \$43,936 or Per Taxpayer \$122,423

Source: U.S. Debt Clock

October 28, 2010 data



**14,587,972**

**Officially Unemployed**

October 28, 2010 data

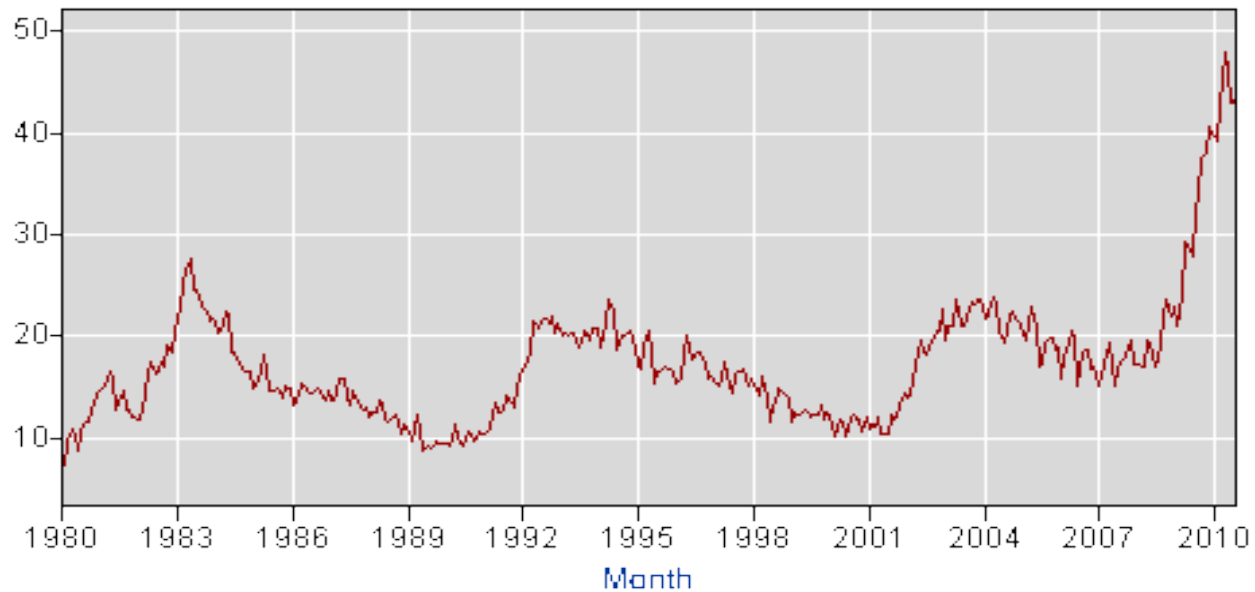
**27.6 Million**

**Actual Unemployed Citizens**

Source: U.S. Debt Clock

## Percent of Workforce that has been out of a Job for more than Six Months - Graph

Source: BLS



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The number of people involuntarily working part-time jobs has reached 10.2 million the highest number on record.



## Male P/T Medium Pay

down \$4,300 to \$18,400

## Women P/T Medium Pay

down \$2,700 to \$13,500

Source: Georgetown University Center on  
Education and Workforce

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# Where Median Incomes are Lowest

Source: U.S. Census Bureau

- 1 Mississippi \$35,693 -  
*Equal to \$98 a day,  
\$24 per person, family of 4*
- 2 Arkansas \$37,987
- 3 West Virginia \$39,170
- 4 Tennessee \$40,034
- 5 South Carolina \$41,548
- 6 Montana \$41,587
- 7 Kentucky \$41,828
- 8 Alabama \$42,144
- 9 North Carolina \$42,337
- 10 Louisiana \$42,423

# Where Median Incomes are Highest

Source: U.S. Census Bureau

- 1 New Hampshire \$65,028  
*Equal to \$178 day, \$44 per person, family of 4*
- 2 New Jersey \$64,918
- 3 Connecticut \$64,644
- 4 Maryland \$63,828
- 5 Alaska \$62,675
- 6 Virginia \$61,126
- 7 Utah \$60,396
- 8 Massachusetts \$59,732
- 9 Hawaii \$58,469
- 10 Washington \$58,404

# \$249,600

A family of four with income of less than \$39,100 will spend \$249,600 to raise two children by the time they each reach age 18

Source: Department of Agriculture's annual Expenditures on Children and Families

# American Wealth

	<u>Holdings</u>	-	<u>Individual</u>	-	<u>Medium Income</u>
<b>Rich:</b>	85%	-	<b>\$2.3 Mil. per</b>	-	<b>\$259,700</b>
<b>Upper Middle Class:</b>	11%	-	<b>\$291,000 per</b>	-	<b>\$74,700</b>
<b>Middle Class:</b>	4%	-	<b>\$106,000 per</b>	-	<b>\$46,700</b>
<b>Lower Class:</b>	0.15%	-	<b>\$22,000 per</b>	-	<b>\$20,200</b>
<b>Poor:</b>	0.15%	-	<b>&lt; \$22,000 per</b>	-	<b>&lt; \$20,200</b>

Source: Norton & Ariely study

America's wealth, defined as total assets minus total liabilities.

# Middle Class . . . Disappearing

	<u>Holdings</u>	-	<u>Individual</u>	-	<u>Medium Income</u>
<b>Middle Class:</b>	4%	-	\$106,000 per	-	\$46,700
<b>Lower Class</b>	0.15%	-	\$22,000 per	-	\$20,200
<b>Poor:</b>	0.15%	-	< \$22,000 per	-	< \$20,200

Source: Norton & Ariely study

America's wealth, defined as total assets minus total liabilities.

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# ARE WE SAVING?

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**\$962.00**

**Savings Per U.S. Citizen**

Source: U.S. Debt Clock  
October 28, 2010 data

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# RESULTING IMPACT!

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# Declining Value of Workforce Intellectual Property

Skill &  
Experience  
= IP Value  
a.k.a.  
Earning &  
Wealth  
Power



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# FAMILY IMPACT?

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Say Hi...  
to Joey.



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## About Joey's Family

Live in South Carolina  
 He is 2 ½ years old  
 Only child, family of 3  
 Parents (both 36) college grads  
 Father a 99er whose jobless  
 benefits expired  
 Mother working 2 jobs  
 Savings now gone

## Financial Situation

Annual Income     \$41,548  
 Yr. Child Rearing -\$12,000  
 Balance             \$29,548

or \$81.00 a Day

### Share of National Debt

Mom, Taxpayer     \$122,423  
 Dad, Citizen         \$43,936  
 Joey, Citizen         \$43,936

Total National Debt \$210,295

Say Hi...  
to the Meyers.

Joey's neighbors.  
Girls babysit Joey.



## About Meyers Family

Upper Middle Class  
 Daughters 16 & 17 yrs.  
 Pre-Paid State College Yr. 1  
 Family of 4  
 Parents (both 45) college grads

Father, small business owner  
 Mother, homemaker  
 Savings lost in downturn

## Financial Situation

Annual Income \$74,700  
 Yr. Child Rearing - \$24,000  
 - \$10,000  
 Balance \$40,700

or \$111.00 a Day

### Share of National Debt

Dad, Taxpayer \$122,423  
 Mom, Citizen \$43,936  
 Girls, Citizens \$87,872

Total National Debt \$254,231

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# BUSINESS IMPACT?

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# What's **the New** **Normal** for CEO's?

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*“You don’t need to hire, because we’re only going to grow at 1 or 2 percent in the U.S. anyway, we’re going to focus on productivity gains.”*

– William George  
Harvard Business School professor

# XEROX

Cutting 2,500 jobs

Cost savings from \$6B ACS acquisition

# Nokia

Cutting 1,800 people

Smartphone restructuring

# Big vs. Small **Company** Financing

Big Corporations . . . Issue bonds @ 4%

Small Businesses . . . Borrow @ 8.45% to 11.3%

*“Forget about the IPO market,  
it doesn’t exist.”*

– Alan Patricof, founder of Greycroft,  
New York venture capital firm

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AND THEN  
YOU HAVE?

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# Goldman Sachs

Setting aside \$13.1 Billion  
Compensation/benefits 1<sup>st</sup> 9months

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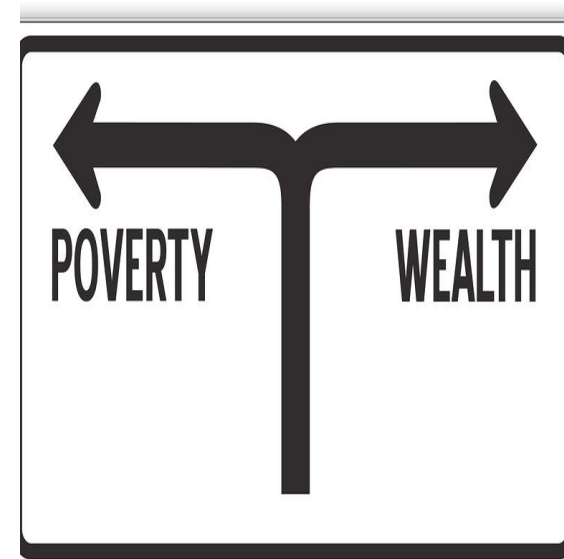
# The Vicious Cycle DOWNWARD!

Job losses are causing income losses, which in turn are  
constraining private demand, reducing tax revenues and  
causing higher deficits.

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# BOTTOM LINE

*“the beatings will  
continue until  
morale improves!”*



The gap between U.S. poverty  
and wealth will grow . . .



Part 2:

**THE**

*'Googleopoly'*

**RISKS**

*“Ultimately our goal at Google is to have  
the strongest advertising network and  
all the world’s information.”*

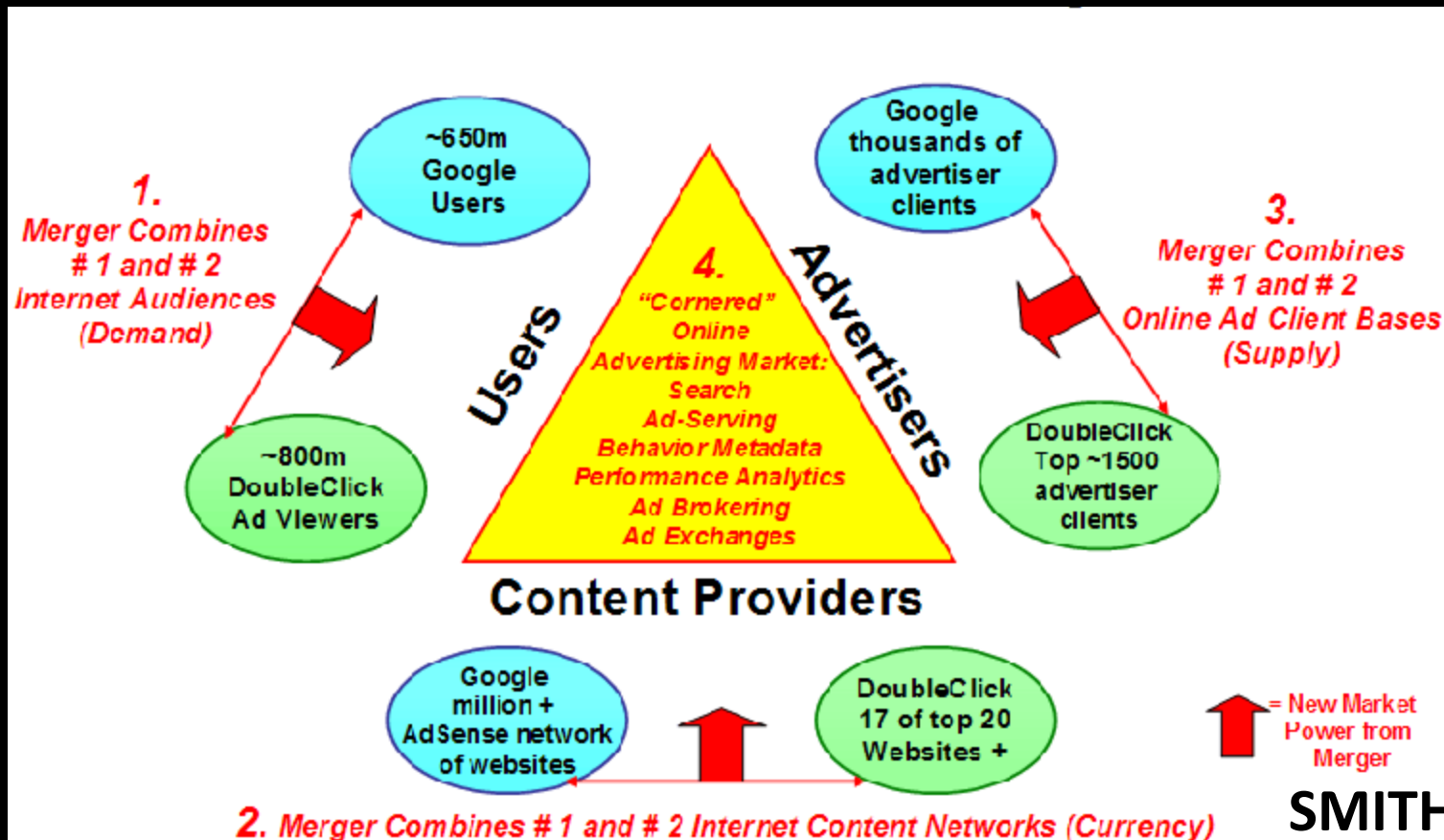
Source: Eric Schmidt, Google’s CEO

# How 11/06 YouTube acquisition tipped Google monopoly

75% of Google's search market gains  
from 7/06 to 7/10 were YouTube

Source: ComScore

# How a Google-Double Click Merger “Corners” the Online Advertising Market



# Google Keeps Track of You

Not only does Google offer a GPS feature for phones through which Google satellites know your exact location, but they've also created "Google Latitude." Latitude is used to find where a person is through their computer or cell phone signal.

Source: Co-Ed Magazine



*“What does FREE do?  
It turns billion-dollar industries into  
million-dollar industries.”*

Chris Anderson, author of FREE,  
‘The Future of a Radical Price’

*“While it’s great that technology tends to lower prices, it’s disruptive when one of those prices is your salary.”*

- Chris Anderson, author FREE

Skill &  
Experience  
= IP Value  
a.k.a.  
Earning &  
Wealth  
Power



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# Deflationary Impact of FREE

a.k.a.  
Google

Economic Effect

Source: Scott Cleland  
President, Precursor LLC

[www.Googleopoly.net](http://www.Googleopoly.net) & [www.GoogleMonitor.com](http://www.GoogleMonitor.com)

Googleopoly VI,  
Seeing The Big Picture presentation

- Deflates the price of information, products, and services to FREE – so only targeted advertisers can succeed.
- Eliminates competition driven: quality, diversity of choice, and innovation.
- Centralizes/concentrates Internet distribution which makes the economy highly vulnerable to systematic disruption.
- Reduces employment because Google views people as inherently ineffective relative to Internet automation.
- Obsoletes several hundreds of thousands of jobs rapidly – more quickly than deflated Internet sector can absorb.

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*“Google wants information to be free  
because as the cost of information falls  
it makes more money.”*

– Nicholas Carr, author of *The Big Switch*

# Googleopoly VI

*Seeing the Big Picture*

## 3 High Level Conclusions

Source: Scott Cleland, author

- Lax antitrust enforcement tipped Google to monopoly and facilitates monopolization of consumer internet media.
- Google's monopoly platform increasingly is supplanting and dominating the consumer internet media ecosystem.
- Googleopoly threatens economic growth, jobs, privacy, intellectual property, a free press, fair elections, cyber-security, and sovereignty.

Knowledge ~~is becoming~~  
has become a commodity

*“The problem with Free is that it eliminates all the price discrimination textures in the marketplace. Rather than a range of products at different prices, it tends to be winner-take-all.”*

– Eric Schmidt, CEO, Google

# Google

Made \$11.1B overseas since 07

Paid 2.4% in taxes

*(Bermuda...no corporate income tax)*

Foreign country corporate tax rate 20%+

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**ITA Software, Inc. specializes in travel software used by the likes of Kayak, Microsoft and Orbitz.**

**Software enables searches of airline reservation systems for best fares.**

# Your Travel Future

**Google seeks to acquire  
ITA Software, Inc.  
for \$700 Million**

*Source: Bloomberg report*

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# Internet Travel Agencies Fight ITA Software Deal

Expedia and others form FairSearch.org coalition  
to seek U.S. regulatory help to block Google

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# Without Regulatory Intervention

The only thing that limits  
Google's growth is the  
pace of Web growth itself

Is this You?  
Un/Underemployed  
in Google's Future World!



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# Google Puts at Risk

*“The **ultimate measure** of  
a healthy & recovering  
economy . . . **jobs growth!**”*

Part 3:  
**WHY**  
*'Wealth Plan'*  
**NOW**



# Transforming Government

*(We Need A Plan)*

*“Washington takes in trillions and spends trillions more, but it does not have a comprehensive, integrated, forward-looking plan based on a set of principles and priorities and the outcome it hopes to achieve. Nor does it have a way to measure overall success.”*

– David M. Walker, Book author *Comeback America*,  
CEO of Peter G. Peterson Foundation, former comptroller general of the United States

Federal Government has been in business since 1789  
and has never had a strategic plan

The Federal Budget is not  
a strategic plan . . .  
It's a one year tax and  
spend schedule



*"The seeds of the next recession have already been planted. The debt burden accumulated over the next ten years will sink us. And a decision will get made... one of two ways. One way is to do it now, proactively, and thoughtfully. The second way is to wait until the bond market forces us to do it. We can ask Greece what that's like." Oct. 20, 2010 keynote*

David Cote, CEO of Honeywell  
Member of President's Deficit Commission

After you've cut costs, laid people off,  
and focused on core capabilities . . .

*What Next?*

*Wait For Market Return to Carry  
You/Nation Forward?*

*Or Build a Growth Business Case.*

Must position for scalable 'Top-Line'  
growth enabled by innovation



*"Now is the time for America to do a business growth paradigm shift. A transformative rethink of how it designs, finances, builds, and grows market competitive U.S. based businesses."*

- Richard D. Smith, President, SMITH-TRG

*U.S. needs a job-centric economic theory – and job-centric political leadership -- to guide national plans and actions.*

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Objective:  
Creating Citizen Wealth

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Means:

Building Sustainable U.S. Jobs Growth Machines

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Can  
we afford  
to keep  
rolling  
the die?



FREE, *The Googleopoly risk to America's recovery . . .*

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