**Dot-com bubble**



The dot.com bubble (also known as the dot.com boom, the tech bubble, and the Internet bubble) was a [stock market bubble](https://en.wikipedia.org/wiki/Stock_market_bubble) caused by excessive [speculation](https://en.wikipedia.org/wiki/Speculation) of Internet-related companies in the late 1990s, a period of massive growth in the use and adoption of the [Internet](https://en.wikipedia.org/wiki/Internet).

Between 1995 and its peak in March 2000, the [Nasdaq Composite](https://en.wikipedia.org/wiki/Nasdaq_Composite) [stock market index](https://en.wikipedia.org/wiki/Stock_market_index) rose 400%, only to fall 78% from its peak by October 2002, giving up all its gains during the bubble. During the crash, many [online shopping](https://en.wikipedia.org/wiki/Online_shopping) companies, such as [Pets.com](https://en.wikipedia.org/wiki/Pets.com), [Webvan](https://en.wikipedia.org/wiki/Webvan" \o "Webvan), and [Boo.com](https://en.wikipedia.org/wiki/Boo.com), as well as several communication companies, such as [Worldcom](https://en.wikipedia.org/wiki/Worldcom" \o "Worldcom), [NorthPoint Communications](https://en.wikipedia.org/wiki/NorthPoint_Communications" \o "NorthPoint Communications), and [Global Crossing](https://en.wikipedia.org/wiki/Global_Crossing), failed and shut down. Some companies, such as [Cisco](https://en.wikipedia.org/wiki/Cisco), whose stock declined by 86%, [Amazon.com](https://en.wikipedia.org/wiki/Amazon.com), and [Qualcomm](https://en.wikipedia.org/wiki/Qualcomm), lost a large portion of their market capitalization but survived.



**Prelude to the bubble**

The 1993 release of [Mosaic](https://en.wikipedia.org/wiki/Mosaic_(web_browser)) and subsequent [web browsers](https://en.wikipedia.org/wiki/Web_browser) during the following years gave computer users access to the [World Wide Web](https://en.wikipedia.org/wiki/World_Wide_Web), popularizing use of the Internet. Internet use increased as a result of the reduction of the "[digital divide](https://en.wikipedia.org/wiki/Digital_divide)" and advances in connectivity, uses of the Internet, and computer education. Between 1990 and 1997, the percentage of households in the United States owning computers increased from 15% to 35% as computer ownership progressed from a luxury to a necessity. This marked the shift to the [Information Age](https://en.wikipedia.org/wiki/Information_Age), an economy based on [information technology](https://en.wikipedia.org/wiki/Information_technology), and many new companies were founded.

At the same time, a decline in interest rates increased the availability of capital. The [Taxpayer Relief Act of 1997](https://en.wikipedia.org/wiki/Taxpayer_Relief_Act_of_1997), which lowered the top marginal [capital gains tax in the United States](https://en.wikipedia.org/wiki/Capital_gains_tax_in_the_United_States), also made people more willing to make more speculative investments.[[9]](https://en.wikipedia.org/wiki/Dot-com_bubble#cite_note-9) [Alan Greenspan](https://en.wikipedia.org/wiki/Alan_Greenspan), then-[Chair of the Federal Reserve](https://en.wikipedia.org/wiki/Chair_of_the_Federal_Reserve), allegedly fueled investments in the stock market by putting a positive spin on stock valuations. The [Telecommunications Act of 1996](https://en.wikipedia.org/wiki/Telecommunications_Act_of_1996) was expected to result in many new technologies from which many people wanted to profit.

Suddenly the low price of reaching millions worldwide, and the possibility of selling to or hearing from those people at the same moment when they were reached, promised to overturn established business dogma in advertising, [mail-order](https://en.wikipedia.org/wiki/Mail-order) sales, [customer relationship management](https://en.wikipedia.org/wiki/Customer_relationship_management), and many more areas. The web was a new [killer app](https://en.wikipedia.org/wiki/Killer_app)—it could bring together unrelated buyers and sellers in seamless and low-cost ways. Entrepreneurs around the world developed new business models and ran to their nearest [venture capitalist](https://en.wikipedia.org/wiki/Venture_capitalist). While some of the new entrepreneurs had experience in business and economics, the majority were simply people with ideas, and did not manage the capital influx prudently. Additionally, many dot-com business plans were predicated on the assumption that by using the Internet, they would bypass the distribution channels of existing businesses and therefore not have to compete with them; when the established businesses with strong existing brands developed their own Internet presence, these hopes were shattered, and the newcomers were left attempting to break into markets dominated by larger, more established businesses. Many did not have the ability to do so.

**Bursting of Bubble**

Around the turn of the millennium, spending on technology was volatile as companies prepared for the [Year 2000 problem](https://en.wikipedia.org/wiki/Year_2000_problem). There were concerns that computer systems would have trouble changing their clock and calendar systems from 1999 to 2000 which might trigger wider social or economic problems, but there was virtually no impact or disruption due to adequate preparation.

On January 10, 2000, [America Online](https://en.wikipedia.org/wiki/America_Online), led by [Steve Case](https://en.wikipedia.org/wiki/Steve_Case) and [Ted Leonsis](https://en.wikipedia.org/wiki/Ted_Leonsis), announced a [merger](https://en.wikipedia.org/wiki/Mergers_and_acquisitions) with [Time Warner](https://en.wikipedia.org/wiki/Time_Warner), led by [Gerald M. Levin](https://en.wikipedia.org/wiki/Gerald_M._Levin). The merger was the largest to date and was questioned by many analysts.

On January 30, 2000, almost 20 percent [12 ads] of the 61 ads for Super Bowl XXXIV were purchased by dot-coms (however this estimate ranges from 12-19 companies depending on the source and the context in which the term "dot-com" company implies). At that time, the cost for a 30-second commercial cost between $1.9 million and $2.2 million.

In February 2000, with the Year 2000 problem no longer a worry, [Alan Greenspan](https://en.wikipedia.org/wiki/Alan_Greenspan) announced plans to aggressively raise interest rates, which led to significant stock market volatility as analysts disagreed as to whether or not technology companies would be affected by higher borrowing costs.

On Friday March 10, 2000, the NASDAQ Composite stock market index peaked at 5,048.62.

On March 13, 2000, news that [Japan](https://en.wikipedia.org/wiki/Japan) had once again entered a [recession](https://en.wikipedia.org/wiki/Recession) triggered a global sell off that disproportionately affected technology stocks.

On March 15, 2000, [Yahoo!](https://en.wikipedia.org/wiki/Yahoo!) and [eBay](https://en.wikipedia.org/wiki/EBay) ended merger talks and the Nasdaq fell 2.6%, but the S&P 500 Index rose 2.4% as investors shifted from strong performing technology stocks to poor performing established stocks.

On March 20, 2000, [Barron's](https://en.wikipedia.org/wiki/Barron%27s_(newspaper)) featured a cover article titled "Burning Up; Warning: Internet companies are running out of cash—fast", which predicted the imminent bankruptcy of many Internet companies. This led many people to rethink their investments. That same day, [MicroStrategy](https://en.wikipedia.org/wiki/MicroStrategy) announced a revenue restatement due to aggressive accounting practices. Its stock price, which had risen from $7 per share to as high as $333 per share in a year, fell $140 per share, or 62%, in a day. The next day, the Federal Reserve raised interest rates, leading to an [inverted yield curve](https://en.wikipedia.org/wiki/Inverted_yield_curve), although stocks rallied temporarily.

On April 3, 2000, judge [Thomas Penfield Jackson](https://en.wikipedia.org/wiki/Thomas_Penfield_Jackson) issued his conclusions of law in the case of [United States v. Microsoft Corp. (2001)](https://en.wikipedia.org/wiki/United_States_v._Microsoft_Corp._(2001)) and ruled that Microsoft was guilty of [monopolization](https://en.wikipedia.org/wiki/Monopolization) and [tying](https://en.wikipedia.org/wiki/Tying_(commerce)) in violation of the [Sherman Antitrust Act](https://en.wikipedia.org/wiki/Sherman_Antitrust_Act). This led to a one-day 15% decline in the value of shares in Microsoft and a 350-point, or 8%, drop in the value of the Nasdaq. Many people saw the legal actions as bad for technology in general. That same day, [Bloomberg News](https://en.wikipedia.org/wiki/Bloomberg_News) published a widely read article that stated: "It's time, at last, to pay attention to the numbers".

On Friday, April 14, 2000, the Nasdaq Composite index fell 9%, ending a week in which it fell 25%. Investors were forced to sell stocks ahead of [Tax Day](https://en.wikipedia.org/wiki/Tax_Day_(United_States)), the due date to pay taxes on gains realized in the previous year.

By June 2000, dot-com companies were forced to rethink their advertising campaigns.

On November 9, 2000, [Pets.com](https://en.wikipedia.org/wiki/Pets.com), a much-hyped company that had backing from Amazon.com, went out of business only nine months after completing its IPO. By that time, most Internet stocks had declined in value by 75% from their highs, wiping out $1.755 trillion in value.

In January 2001, just three dot-com companies bought advertising spots during [Super Bowl XXXV](https://en.wikipedia.org/wiki/Super_Bowl_XXXV). The [September 11 attacks](https://en.wikipedia.org/wiki/September_11_attacks) accelerated the stock-market drop later that year.

Investor confidence was further eroded by several [accounting scandals](https://en.wikipedia.org/wiki/Accounting_scandal) and the resulting bankruptcies, including the [Enron scandal](https://en.wikipedia.org/wiki/Enron_scandal) in October 2001, the [WorldCom scandal](https://en.wikipedia.org/wiki/WorldCom_scandal) in June 2002, and the [Adelphia Communications Corporation](https://en.wikipedia.org/wiki/Adelphia_Communications_Corporation) scandal in July 2002.

By the end of the [stock market downturn of 2002](https://en.wikipedia.org/wiki/Stock_market_downturn_of_2002), stocks had lost $5 trillion in [market capitalization](https://en.wikipedia.org/wiki/Market_capitalization) since the peak. At its trough on October 9, 2002, the NASDAQ-100 had dropped to 1,114, down 78% from its peak.