

# Chapter 16

## The Ascending AI Era: Rerouting the Bubble Discourse

**Rajnandini Yadav**  
*Christ University, India*

**Krishna Prasath S.**  
*Christ University, India*

### **ABSTRACT**

*Newness is often subjected to speculation if not directed in the right direction. A phenomenon was observed during the 2000 Dotcom Bubble. The advent of the Internet opened possibilities but invited confusion along with. Stocks with ‘www’ and ‘.com’ started inflating the markets while investors and venture capitalists poured huge capital, causing overvaluation. All is done anticipating potential gains without estimating earnings and profitability metrics. A similar frenzy took over the present with the rise of Artificial Intelligence. Statements of comparison started brewing between AI and Dotcom. This chapter explores parameters that differentiate them by explaining the concepts of bubble formation, Equity Fund Flow, Leverage indicators, and Earnings metrics. It further helps understand the Theory of Diffusion of Innovation and The Technology Acceptance Model that play a pivotal role in shaping the AI discourse from its stage of nascency to the future, thus making it an asset rather than a bubble.*

### **THE DOTCOM BUBBLE**

How does the world welcome newness? Is it with uncertainty, enthusiasm, anxiety, confusion or a combination of all? To understand it better, let’s travel back to 2000, where the world witnessed a frenzy that started off with speculation and soon took

DOI: 10.4018/979-8-3693-6215-0.ch016

a disastrous turn, sending shock waves across markets worldwide. We are talking about the dotcom bubble. A phenomenon that started with the advent of the Internet, demarking the time where Information Technology and Telecommunications were the booming sectors and companies associated with dotcom or the internet were considered as potential profitability magnets.

With the advent of the World Wide Web in 1989, a trail of Internet expansion and startups emerged in the tech space. As the technology space belongs to a high growth sector, thus heavy funding plays a major role. Usually, such funding is secured from the venture capitalists post analyzing metrics such as revenue and profitability generation strategies, price to earnings ratio, strong fundamentals and a top down approach that considers economy, industry/sector and company analysis. However, this scenario was far from the usual in the 1990s (Team, 2023). The emerging startups possessed a lack of viability in their business models and cash generation strategies. In the startup space, companies were aiming at growing big within a short span of time. To do so, a great deal of marketing and advertising spend became the sole focus rather than the focus being on revenue and profitability generation. Around 90% of the startup budgets were going towards advertising (Hayes, 2023). On the hindsight, a great deal of speculation investing expanded with the rise in the Internet startup funding ecosystem. The venture capital funding was on a spree thus pouring investments into the internet based startups with the hope of profitability in their return of investment. Investors did not want to miss out on a potential stock rally for the Internet based stocks. Hence, encashing on this potential profitability opportunity became paramount. Such magnitude of investments were polar opposite to the lack of the viability of the companies and its intrinsic valuations, thus starting the foundation of building the dotcom bubble.

Media frenzy played a major role in empowering such a foundation. In 1996, Alan Greenspan (Former Fed Chair) delivered a speech on irrational exuberance which indicated that investor sentiments were playing a pivotal role in driving the prices of the assets, irrespective of its fundamental value. However, the face of the media was showcasing the tech sector as an optimistic buy. Media outlets were creating a riptide of demand for the high in risk tech stocks, thus encashing on the idea of future profitability gains. This created ignorance towards the beta factor that the risky stocks were attributed to. Stocks with their beta value higher than 1 are considered risky and during times of economic turmoil, the negative impact of these stocks on the portfolio is significant. Moreover, the investments were being made as expectations of future profitable gains, regardless of the revenue generation and fundamentals at place.

Another angle to be explored is of the US Fed and its move of caution against the Y2K bug during 1999. The Y2K bug was considered as a computer flaw that had the potential to cause calendar date fluctuations and errors after the year 2000.

20 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: [www.igi-global.com/chapter/the-ascending-ai-era/362737](http://www.igi-global.com/chapter/the-ascending-ai-era/362737)

## Related Content

---

### Addressing Challenges and Ethical Considerations in AI-Driven Faculty Development

Sandip Dey (2026). *Faculty Development in the AI Era* (pp. 41-80).

[www.irma-international.org/chapter/addressing-challenges-and-ethical-considerations-in-ai-driven-faculty-development/413304](http://www.irma-international.org/chapter/addressing-challenges-and-ethical-considerations-in-ai-driven-faculty-development/413304)

### An RHMloT Framework for Cardiovascular Disease Prediction and Severity Level Using Machine Learning and Deep Learning Algorithms

Sibo Prasad Patroand Neelamadhab Padhy (2022). *International Journal of Ambient Computing and Intelligence* (pp. 1-37).

[www.irma-international.org/article/an-rhmiot-framework-for-cardiovascular-disease-prediction-and-severity-level-using-machine-learning-and-deep-learning-algorithms/311062](http://www.irma-international.org/article/an-rhmiot-framework-for-cardiovascular-disease-prediction-and-severity-level-using-machine-learning-and-deep-learning-algorithms/311062)

### Behavioral Analytics of Consumer Complaints

Md Shamim Hossain (2023). *AI-Driven Intelligent Models for Business Excellence* (pp. 42-67).

[www.irma-international.org/chapter/behavioral-analytics-of-consumer-complaints/315393](http://www.irma-international.org/chapter/behavioral-analytics-of-consumer-complaints/315393)

### A New Two-Level Clustering Approach for Situations Management in Distributed Smart Environments

Achouri Mounir, Alti Adel, Derdour Makhoul, Laborie Sébastienand Roose Philippe (2019). *International Journal of Ambient Computing and Intelligence* (pp. 91-111).

[www.irma-international.org/article/a-new-two-level-clustering-approach-for-situations-management-in-distributed-smart-environments/225773](http://www.irma-international.org/article/a-new-two-level-clustering-approach-for-situations-management-in-distributed-smart-environments/225773)

### A Small and Portable Foot Motion Recognition Device Used in VR Environment

Huayue Wuand Xiangmo Zhao (2019). *International Journal of Ambient Computing and Intelligence* (pp. 1-16).

[www.irma-international.org/article/a-small-and-portable-foot-motion-recognition-device-used-in-vr-environment/233815](http://www.irma-international.org/article/a-small-and-portable-foot-motion-recognition-device-used-in-vr-environment/233815)