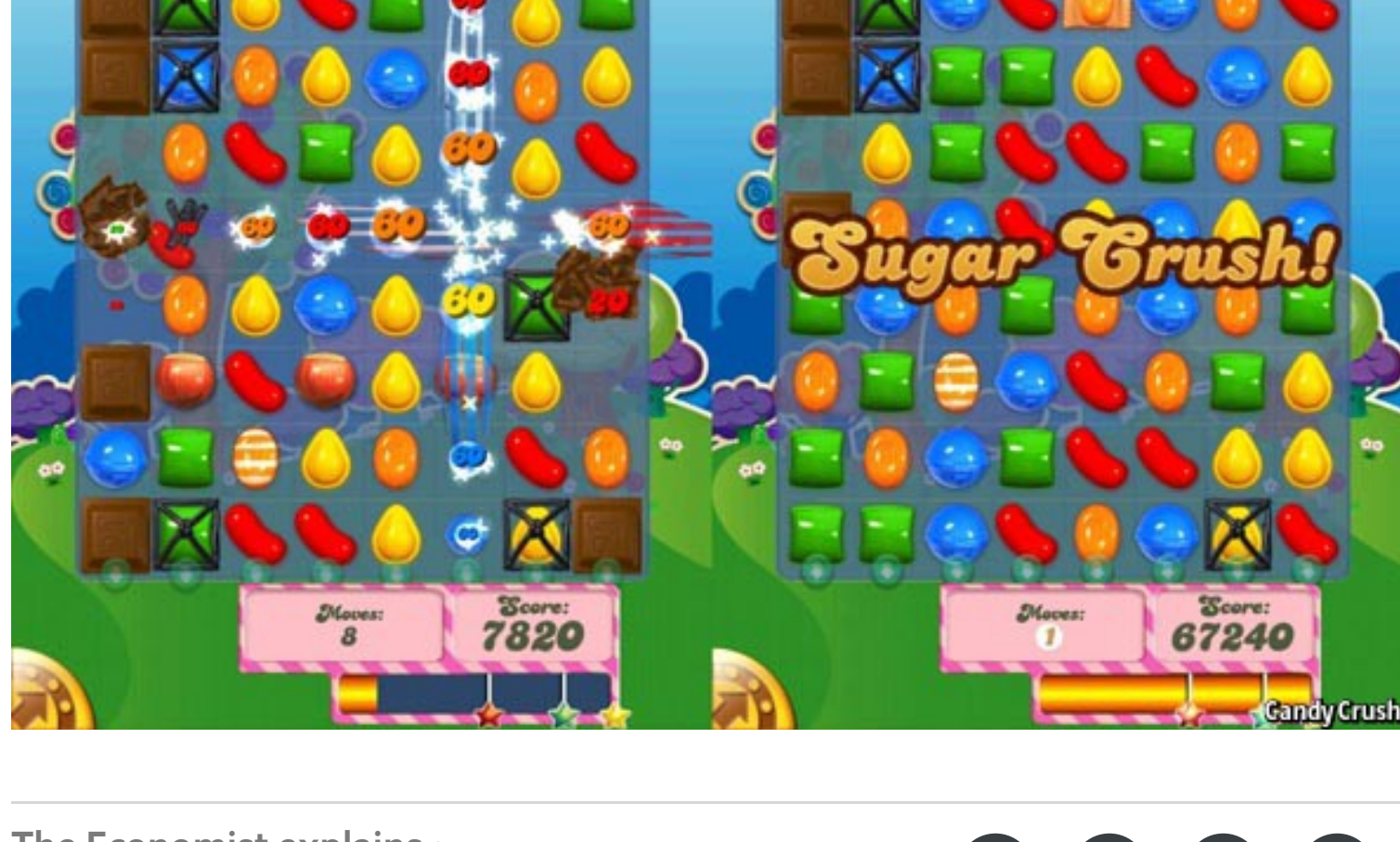




The Economist explains

The startup explosion



The Economist explains >
Mar 31st 2014 | by L.S.



MENTION startups and many people will think of the dotcom bubble. Indeed, it seems it is 1999 all over again: since the highly successful stockmarket listing last November of Twitter, the micro-blogging service, young technology companies have been lining up to go public. In recent days no fewer than a dozen firms have floated or announced plans to file for an IPO, including Box, GrubHub, King Digital and OPower. Takeovers of startups are booming too. On March 26th, for instance, Facebook announced that it would pay \$2 billion for Oculus VR, a maker of virtual-reality goggles.

But this time is also different. More important than the flurry of IPOs and acquisitions is the fact that the number of startups has been exploding, all around the world. Most big cities, from Berlin and London to Singapore and Amman, now have a sizeable startup colony or “ecosystem”. Between them they are home to hundreds of startup schools (“accelerators”) and thousands of co-working spaces where caffeinated folk in their 20s and 30s toil hunched over their laptops. At the end of last year, the world boasted nearly 140,000 startups, of which more than half were based outside America, according to [World Startup Report](#), a consultancy. Israel is now the most likely place for people to start a tech firm: the country has an estimated 375 startups per million inhabitants, versus 190 in America (see our [map](#) of startup colonies).



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The main reason for this “startup explosion”, as it has come to be known, is that the basic building blocks for digital services and products—the “technologies of startup production”, if you will—have become so flexible, cheap and ubiquitous that they can be easily combined and recombined: snippets of code, cloud-computing and other services and the internet itself, which is now fast, universal and wireless. As a result, startups can be lean: they no longer need to operate their own servers; they can outsource much of what they do, from software development to user testing; and they can iterate constantly to improve their

product. During the dotcom boom launching a startup was a big bet on a business plan; now it is only the first of a series of experiments, an ongoing exploration.

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The big question is whether quantity will become quality. Will many of these startups turn into real firms with real products? Optimists, such as Dave McClure of 500 Startups, a Silicon Valley accelerator-cum-venture fund, argue that more startups will lead

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unlikely to run out of steam soon: as digital technology permeates more and more of the world, opportunities for startups will only grow.

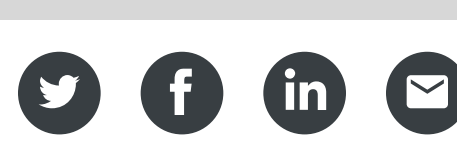
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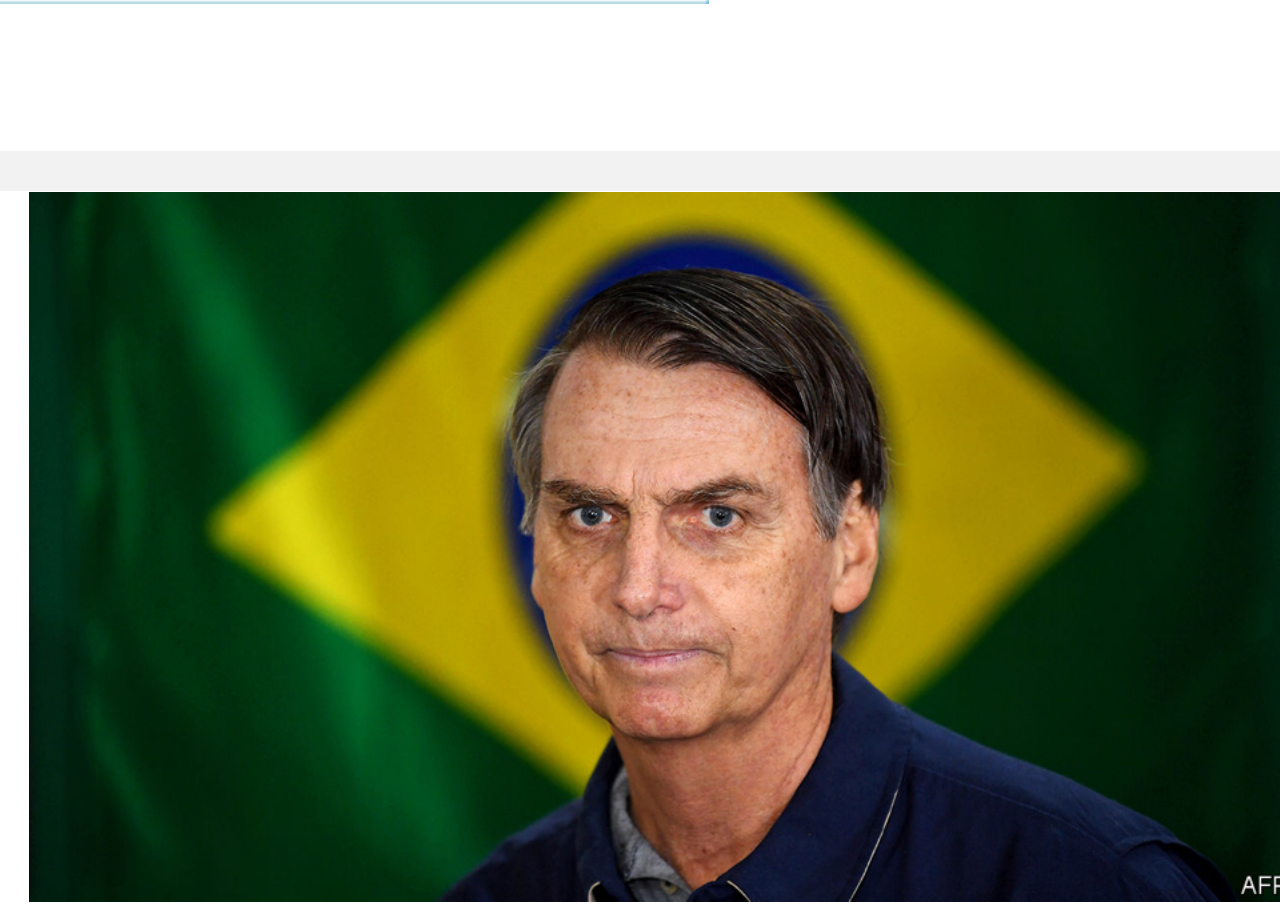
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