

Re: Open Source vs. Commercial

Source:

<http://coding.derkeiler.com/Archive/Delphi/borland.public.delphi.non-technical/2005-06/msg00996.html>

- *From:* "Captain Jake" <[jake\[nospam\]@jsnewsreader.com](mailto:jake[nospam]@jsnewsreader.com)>
 - *Date:* Sat, 4 Jun 2005 00:17:30 -0500
-

Eyal <ez_bikbon@xxxxxxxxxxxxxxxxxxxxxx> wrote in message
<[42a0597f\\$1@xxxxxxxxxxxxxxxxxxxxxx](mailto:42a0597f$1@xxxxxxxxxxxxxxxxxxxxxx)>

> Hi,

>

> Very often I see debates evolving around the quality of Open Source
> software, and the economics that surround it. There are two arguments
> that are repeatedly used to attack the Open Source model – that it can't
> produce high quality software,

I don't recall that argument being made, and I can think of several cases that disprove it. Open Source can produce high quality software. but before we go any farther in this discussion we need to differentiate between the possible and the probable. It is obviously *possible* for open source to create quality software. Firefox is a superb example of this. But is it probable? That is the more interesting question. I suspect it is less likely that an open source effort will produce quality software than a commercial effort. But I'm not really going to get bent out of shape on that issue. What really bothers me is when some luminary suggests that if a commercial product were open sourced that the quality and timeliness of the releases would go up. There is absolutely no evidence that suggests this is even remotely likely. Find me examples where this has happened. I can find plenty of examples of products that died as open source projects. Turbopower, Interbase, etc. SourceForge is full of dormant projects that represent the graves of unsuccessful commercial ventures turned open source.

> and that it destroys the economy of
> software. >

> 2. Economy of Open Source.

>

> Some people, and one in particular on Borland newsgroups, consistently
> claim that since Open Source software is also Free, it will destroy the
> software market and render all professional programmers unemployed.

No, it won't, because most of it is crap that never gets finished. IF, and this is a mighty big if, that was not the case, and open source was actually able to deliver as often as commercial software does, then it *would* be a threat to professional software salaries. And in those few fields where it does deliver quality, it IS affecting the market. To the extent that

Re: Open Source vs. Commercial

programmers are working toward making open source software timely and excellent, they are undermining professional programmers' career possibilities, especially their ability to escape the 9–5 rat–race and make a living selling their own software.

This

- > argument is sometimes disguised as Free or Open Source = Communism and
- > decline, Commercial = Capitalism and prosperity.

That's a false dichotomy here. Nobody is talking about what software programmers ought to be ALLOWED to do with their time. Capitalism means they are free to do what they want with their time, communism means they can not sell the fruits of their labor. Capitalist countries are going to remain capitalist no matter what programmers decide to do with their time. Open source has nothing to do with that. It is consistent with both types of political economies.

- > The assumption behind the argument that "FOSS = no software market" is
- > that FOSS is made only by unpaid amateurs. There is a contradiction
- > here. If they get paid – there's a software market and the argument is
- > void.

It is not quite that simple. You are not differentiating between the labor market and the final market. A software developer wanting to enter the market for software has a significant barrier if there is good software available for free in that market. The only way he can benefit from that market is to enter the labor market for that market.

If this seems obtuse, consider the fact that FOSS made by paid programmers is no different than "dumping", where a company produces a product that it sells below cost for the express purpose of driving out existing and would–be competitors. This is also known as "predatory pricing", and has been known to ruin many markets, which is why the WTO, a free trade advocate, allows countries to sue other countries when they do this. Economists are rather unanimous in the belief that this type of activity is very bad for society in the long run.

- > If they don't get paid, they only make software that interests
- > them (and some argue that is of low quality). So who makes the
- > "uninteresting" software for businesses? People who write software for
- > money, so again there's a market and the argument is void.

The argument is far from void. You in fact just argued that FOSS will lead to software development careers that involve only the creation of uninteresting software.

- > For many years IBM developed proprietary operating systems for their
- > "big iron". The development cost a lot of money, which made the deal
- > very expensive for the customers. Naturally with a proprietary and
- > expensive environment there wasn't much of a market around IBM's
- > environment (or any of the other proprietary systems). In the end the

Re: Open Source vs. Commercial

> whole setup became too expensive and uncompetitive.

IBM uncompetitive when it developed its own operating systems? Do you have any idea how silly that sounds to anyone that was around during that time?

>

> Today IBM shares the cost of developing an operating systems (Linux)
> with many other companies. Linux isn't really free – IBM customers pay
> for it when they buy IBM hardware. However, as IBM shares the cost of
> development with many others, IBM's cost per–customer is next to nothing.

Their per–customer operating system cost when they wrote their own was relatively small as well. But obviously, their costs are going to be lower if they can use something that was for the most part created by an army of volunteers. That is not the issue here. The issue is whether or not FOSS has resulted in a larger wage fund for software developers, not just whether it has helped a large multinational firm increase its profits. If it has cut IBM's labor costs then it has reduced the amount of money going into the pockets of software developers, pure and simple. Here is a direct example of how FOSS is undercutting software developers even in cases where firms are paying software developers to create it.

> The most widely used (but unfortunately so) example is that software can
> be given free and money comes from support.

Great, this turns software developers into pure cost centers, and makes the support personnel the economic stars of the firm. Again, abysmal for software development careers.

> Another example is free
> software with optional Commercial modules for GUI administration, etc.

This is a situation in which commercial software is rescuing FOSS from itself.

>

> However there are other models, that work regardless of the market size.
> For example free stock trading software, that in order to be useful
> requires a feed of quotes from the stock exchange. That feed is a
> service that costs. Another example is GIS (mapping) program that can be
> given for free, while data files (maps) are sold. The data isn't
> software and doesn't have to be free.

All these models are simply examples of cost–shifting, which commercial enterprises do all the time. Unfortunately they are all schemes that shift revenue generation from software to other services, with the implication that the software development personnel of these firms would shrink from current levels. There is no surer way to reduce head–count in a department than to remove it from the revenue–generating part of the company.

>

Re: Open Source vs. Commercial

- > Why would a vendor develop software, give it for free, and then charge
- > for service or data? Because that vendor isn't a software vendor but a
- > service vendor. That vendor can share the cost of software development
- > with other vendors in the same market segment,

"reduce cost" is synonymous with "less money paid to workers". Again, these schemes are thereby hurting software developers in general.

- > But let's discuss those
- > programs that can only generate money out of selling the program and
- > nothing else. This is the essence of the original argument against FOSS
- > and this is where the argument fails most miserably.
- >
- > Axiom: FOSS doesn't take a single penny from the market.
- >
- > Note that I used the term "market", not "software market". The software
- > market doesn't work independently of the rest of the economy. Software
- > is part of the computer market, which is part of the technology market,
- > which is part of (...) which is part of The Market. Yeah sure but what
- > does it mean?
- >
- > It means that when there are free alternatives to Commercial software,
- > the money isn't lost.

You are confusing the monetary and real economies. Money is simply a medium of exchange, and has no intrinsic value.

The money simply won't be spent on that Commercial

- > software, but on something else. Whatever that something else happens to
- > be – food, clothing, entertainment, hardware – doesn't matter. The money
- > still plays in the market and nothing is lost. So what will the poor
- > programmers do? Produce or sell food, clothing, entertainment, hardware,
- > whatever. There's money there as we've just seen!

That is a loss to society, equal to the difference in productivity between software development and the next best alternative for those individuals best suited to software development. A difference I might add that is denominated in real goods and services, quite independent of how much money is in the economy at any one time.

In addition to this direct loss due to productivity differences, there is also the loss that would be caused by large-scale sectoral shifts as software developers lose their jobs and take time finding jobs in other sectors.

- >
- > Everyone, including those who object to FOSS, are happy when prices of
- > food or gas drop.

Not everyone. Farmers are not very enthralled with drops in the price of food, nor are the myriad industries that sell their goods to farmers. Likewise for workers in the oil industry with regard to drops in the price of

Re: Open Source vs. Commercial

gas. The fact of the matter is that society as a whole is not better off with lower prices (or higher prices). Society as a whole is benefited the most by prices that accurately reflect the total social cost. When prices deviate from that sweet point, society suffers because resources are then mis-allocated and not as efficiently distributed.

If this still seems odd to you, consider how society would fare if cars were totally free. Do you really think society would be better off? Who would produce cars? The only ones that would produce cars would be those that need them for their own purposes AND have the resources to create them. You and I certainly would not be able to find cars for our own use. Who would go through all the bother of creating a car just to give it to us? Nobody. Ditto for most people on this planet.

- > When you (anti-FOSS people) shop for a cheaper
- > product, don't you think about those poor souls who – because of you –
- > will earn less and may not have enough to make a decent living?

Nope, because the money I don't spend on that particular product gets spent on another, which causes workers for that product to earn more, and if I allocate my spending according to my value preferences, I am thereby indirectly allocating the resources used to make them toward an increase in value.

- > And
- > won't you be really happy to get free gas or free groceries?

No, because I know that the prices of other things will be higher as a result, because money not spent on gas or groceries will then go toward increasing demand for other goods. The total price level will not be affected by such changes in relative prices, and my standard of living will not have increased at all (unless I consume more gas and groceries than the average consumer).

- >
- > This sheds light on an interesting point. Those people who claim that
- > FOSS is communist or socialist, they are the real communists. They try
- > to protect the salaries of programmers (or revenues of software
- > companies), against the forces of the general market.

That is not what communism means. Communism means there is no private property. It has nothing to do with monopolists or groups of people trying to protect their own salaries.

- > Open source is very much like growing your own vegetables, and
- > exchanging them with your neighbours that grow other vegetables. Sure,
- > if this practice becomes widespread then it will reduce the need for
- > farm grown vegetables, and may hurt farmers. But it's not communism,

So what? Communism has nothing to do with this argument, that is just a straw

Re: Open Source vs. Commercial

man you set up.

and

- > it's not bad or wrong for the vegetables or for the people who grow and
- > eat them.
- >
- > I'll also present this "lost market" point from the opposite angle.
- > Let's take something that is free today, and make it commercial to
- > create a profitable market for it. For example – air.
- >
- > Suppose air isn't free, so each and every person has to pay for the air
- > they breath. This will create a huge market for air, won't it? How
- > wonderful! we created a huge market with lots of money flowing around,
- > and everyone must be happy because of all this new business. Really?
- > Where all the money will come from? That money will be taken from other
- > markets – food, clothing, entertainment, hardware and... software!

You seem to be fixated on the constancy of the money supply as if it actually has some effect on human welfare. You could double the money supply and the only long term effect on human welfare would be the halving of the amount of goods and services prior savings can buy. The fact that the money supply is not changed by endogenizing things into the market economy is of no consequence for human welfare.

What IS of consequence for human welfare is how efficiently resources are allocated, in other words how close the allocation of resources comes to creating exactly those goods and services most sought after by human beings. This allocation will come the closest when people can express their relative preferences in some manner. The pricing system works very well for this purpose, when prices are allowed to be driven by supply and demand, and money can act as a medium of exchange. We express our relative preferences every time we buy or decide not to buy something. Via a non-zero price, our value system gets a say in the allocation of resources. This mechanism is completely gutted by a zero price, and a lot of valuable allocation information gets lost as a result. This leads to an undersupply and over-demand for the zero-priced good. Society is worse off because of the resulting misallocation.

> Conclusion:

- >
- > FOSS is simply a free exchange of work in the form of program code. Free
- > exchange is one of the cornerstones of free economy.

Exchange? If you give away something you have not exchanged anything. You have made a transfer outside of the economy. This has nothing to do with a free or unfree economy. It certainly is not the cornerstone of a free economy. Or capitalism.

>

- > The effect of FOSS on Commercial software, is that it changes the
- > economics of software. No value is lost. Money is redirected from some

Re: Open Source vs. Commercial

> software markets to other software markets or to non–software markets.

As I pointed out above, money is not value, so this argument is dead on arrival. Furthermore it embodies the very serious logical error commonly called the Fallacy of Composition, in that it confuses the whole with a singular part. The argument that FOSS hurts software developers is not disproved by stating that society as a whole is not hurt by it (a claim I also found specious).

> Any attempt to prevent this market–driven change is anti–free–economy
> and anti–capitalist.

Capitalism is the allowance of voluntary exchange of private property. I fail to see what this has to do with the argument that FOSS undermines software developers' wages and careers.

>
> I believe many people who argue against FOSS know and understand all
> this.

I have no idea how many of those who argue against FOSS believe all the things you've said here, but it seems to me that there is no idea so preposterous that there are not several human beings somewhere that consider it gospel. I just know that I do not find much merit in your arguments.

> So why do they argue against FOSS?
> Because they're afraid of change.

Not all change, just change that is destructive of the careers of software developers.

—
Free Your Mind

Posted with JSNewsreader–BETA 0.9.4.774

- *Follow–Ups:*

- ◆ *Re: Open Source vs. Commercial*
◇ *From: Eyal*

- *References:*

- ◆ *Open Source vs. Commercial*
◇ *From: Eyal*

- Prev by Date: *Re: where will the action be ?*

Re: Open Source vs. Commercial

- Next by Date: ***Re: asp.net or java***
- Previous by thread: ***Re: Open Source vs. Commercial***
- Next by thread: ***Re: Open Source vs. Commercial***
- Index(es):
 - ◆ ***Date***
 - ◆ ***Thread***