

SPECIAL DOUBLE ISSUE

2010 INVESTMENT GUIDE

Bloomberg
BusinessWeek

DECEMBER 28, 2009 & JANUARY 4, 2010
BUSINESSWEEK.COM

**BUY?
SELL?
PRAY?**

DISPLAY UNTIL JAN. 20, 2010

\$4.99

52>



0 75470 18255 6



MANY HAPPIER RETURNS

It was the best of times, it was the verse of times. *BusinessWeek's* Marc Miller takes a bard's eye view of the flips, flaps, and flops of a year you might want to forget. | **BW** | PAGE 042



FACEBOOK WANTS YOUR I.D.

The social media site is eager to be the issuer of digital calling cards that identify you anywhere you go on the Web. But the whole notion makes privacy advocates nervous. | **BW** | PAGE 092

008 THE BUSINESS WEEK

- 008 **EXECUTIVE SUMMARY** Obama jawbones the banks; Abu Dhabi bailout; the public option in peril; Euro jitters
- 015 **FACETIME** Diane Brady talks executive compensation with pay czar Ken Feinberg
- 017 **BUSINESS OUTLOOK** Rich Miller sees growth returning to the U.S., but unemployment looks intractable
- 019 **NUMBERS** A look back at a dismal decade for the U.S. economy

021 NEW BUSINESS

- 021 **AT&T VS. THE IHOGS** Ma Bell wants to raise rates for bandwidth-sapping iPhone users
- 022 **ANDROID ANGST** Handset makers fret that Google may roll out its own smartphone
- 024 **PRODDING BANKS** Obama will have to do more than guilt-trip them if he wants to get loans flowing
- 026 **THE 'FAT CATS' REACT** Changes to bonus pay are cosmetic

028 A FREE RIDE FOR CAR DEALERS

Their loans to buyers could be exempt from financial reform

029 FEWER PATENTS PENDING

A sign American ingenuity is fading

030 EXXON'S GREEN HEADACHE

Its \$31 billion deal for a shale gas company brings new scrutiny

033 JAPAN'S B-TEAM

Why Mazda and Mitsubishi are suddenly hot

035 YEAR IN REVIEW 2009

- 035 **THE YEAR OF LIVING FURIOUSLY** Looking back in awe—and anger

036 CRISIS AVERTED...

037 ...OR OPPORTUNITY WASTED?

- 040 **THANK GOODNESS THAT'S OVER** The unbelievable quotes, acts and ideas of '09

042 MANY HAPPIER RETURNS

092 WHAT'S NEXT

- 092 **FACEBOOK WANTS YOUR I.D.**
- 094 **HONDA'S STALLING HYBRID** The Insight can't catch up to the Prius

- 095 **CREDIT CARD TRICKS** In the face of new rules, ingenious ways to collect fees

- 096 **JAPAN: GROWTH FROM DAY CARE** A plan to spur the birthrate and get more women into the workforce

- 098 **A DEARTH OF DOCTORS** Health reform will worsen the shortage

- 100 **PLUGGING INTO CHINA** Giants race to upgrade the mainland's grid

- 102 **FIGHTING BREAST CANCER** Some pharmaceutical advances

- 104 **JUMP-STARTING STARTUPS** Funds to help inner-city entrepreneurs

107 BUSINESS VIEWS

- 107 **BOOKS** Villette and Vuilleumot: *From Predators to Icons*
- 109 **TECH & YOU** Rich Jaroslovsky: Roku puts the Web on TV seamlessly
- 110 **FEEDBACK**
- 112 **OUTSIDE SHOT** David Rosenberg: Why 2010 looks so dicey

- 110 **CORRECTIONS & CLARIFICATIONS**
- 111 **COMPANY INDEX**

STRATEGY & COMPETITION

Why Facebook Wants Your ID

By trying to be the de facto standard for online identity, it's making privacy advocates nervous

By Douglas MacMillan

On the walls of Facebook's Palo Alto (Calif.) headquarters hang multiple prints of René Magritte's painting *The Son of Man*. The company's execs see the image of a man's face obscured by a green apple as a metaphor for the millions who surf the Web anonymously. "Part of what Facebook is trying to do is help people take the apple away," says Chris Cox, the company's vice-president for product.

Facebook has good reasons to push people to be up front about who they are online. As the world's largest social networking site, it stands to reap a fortune if it can help customize

advertising and product pitches to the characteristics of each user. But many people are reluctant to share personal information on the Web. They're particularly concerned about entrusting their identities to companies such as Facebook, which seeks to profit from the information it collects. "Fundamentally, Facebook is a business,"

says Kaliya Hamlin, co-founder of the Internet Identity Workshop advocacy group. "Their business is about monetizing the people in their network."

Almost any online activity leaves traces of your identity, from a Google search (what you're looking for) to an Amazon.com visit (what you're buying). Yet there's no widely accepted identity standard online—the equivalent of a driver's license or Social Security number. Facebook wants to change

Facebook hopes to create a digital calling card that could identify people just about wherever they go on the Web

that by creating a digital calling card that could be used to identify people pretty much wherever they go on the Web. To help in the effort, in August Facebook hired one of the pioneers of online identification. David Recordon co-founded OpenID Foundation, a nonprofit group that maintains a set of open standards for Web identity.

He plans to apply the foundation's principles of openness and transparency to Facebook. Already, the social network lets new users register with their name and password from Google's Gmail service, and Recordon says similar arrangements with other companies are in the works. "Standards are the plumbing layer of the Internet," says the 23-year-old. "For them to be successful they have to be freely shared."

Facebook argues that most services on the Web become more useful when they know something about users. One early example is Facebook Connect, a program that lets users log into their profile and interact with Facebook friends on more than 80,000 Web sites. When people sign in to YouTube with Facebook Connect, the video site highlights clips their friends enjoyed. For President Barack Obama's inauguration, CNN let online viewers use Facebook Connect to chat with others watching the ceremony. Almost 60 million of the social network's 350 million users have signed up for Facebook Connect in the year since it was introduced.

Facebook Connect is also integrated into Web-connected devices, including Apple's iPhone and Microsoft's Xbox gaming console. The technology lets friends play games and catch up with each other while they're away from the PC. Facebook expects that as a greater variety of devices connect



MARKHAM JOHNSON

to the Net, users will see even more benefit. For example, you may soon be able to get in your car and tell the GPS to direct you to a person, rather than an address. "That kind of disruptive change can apply to a lot of different industries," says Bret Taylor, who works on Facebook Connect.

Such changes may also help companies profit from Facebook's data. On Dec. 2, Yahoo! announced a partnership with Facebook that will let users of the social network identify themselves on Yahoo sites and share articles, photos, and other content with friends. In part of the agreement that was not announced, Yahoo intends to tap Facebook user data to place display ads tar-

geted to individuals on its own pages, according to a source familiar with the plan. In theory, this means advertisers will be able to pay Yahoo to get ads in front of a specific demographic group,

Facebook's Taylor, Recordon, Cox: Moving toward a more people-oriented Web

such as women from California, if the users have shared their Facebook credentials with the site.

Those are the kinds of deals that make privacy advocates and individuals skittish. Facebook is already a big business, with estimated revenues of \$500 million in 2009, and financial pressures are likely to grow as it considers an initial public offering. Facebook sparked an uproar this month when it made a series of changes to its privacy settings, including revoking the ability of users to hide their name, gender, profile picture, and hometown from anyone who views their profile. It also gave Facebook Connect partners access to the same information. The changes "reduced flexibility and control for users over their privacy in a myriad of ways," says Kevin Bankston, an attorney for the nonprofit Electronic Frontier Foundation.

Recordon's old friends at OpenID are raising warning flags, too. Chris Messina, a board member at the nonprofit, concedes his group's technology isn't as easy to use as Facebook's, but says Web sites should continue to support OpenID since Facebook may prioritize profits over privacy. "It's just too soon to let Facebook determine the future of identity on the Web," he says.

Facebook says it doesn't want to monopolize the development of identity technology. And Recordon claims that competition from companies such as Google will help push everyone to come up with ways to protect privacy while also helping people reap the benefits of sharing their identity. It's still so early, he says, "innovation is important." | BW |

Business Exchange

Read, save, and add content on BW's Web 2.0 topic network

To Catch a Twitterer

Can one go incognito in the Digital Age? *Wired's* Evan Ratliff took a fake identity and went missing in August. A \$5,000 reward lured a group of amateur gumshoes to find him using traces he left on Facebook, Twitter, and other sites. An entrepreneur in Seattle nabbed him in less than a month. Ratliff writes about it in the December *Wired*.

To view the story: <http://bx.businessweek.com/data-protection-and-privacy/reference/>