

We've got problems, but bloom remains on valley's rose

By Jack Harding

We've recently read of Silicon Valley's "fading competitiveness" and how we are heading toward economic oblivion when compared to other U.S. centers of high tech. Curiously, reports and editorials identify traffic jams, high housing costs, mediocre schools and high taxes as the culprits for this impending disaster. In short, Silicon Valley comes up "dead last" in quality of life and that somehow, these social factors will eventually erode Silicon Valley's place as the undisputed U.S. tech center. Of course the implications of this dire forecast are that people will flee Silicon Valley and we will become a shadow of what we once were. I disagree.

It's certainly true that Silicon Valley has a lot of traffic and high home prices. But, of what are these indicators? I see these purported metrics of impending failure as artifacts of success. The roads are filled because of the level of commerce taking place and the housing costs are high because the region continues to generate vast amounts of wealth.

There are durable reasons why we lead the country. Silicon Valley, as a hotbed for entrepreneurial success, combines: 1. the most experienced concentration of risk capital in the world; 2. a vast, deep relationship with its region's higher-education institutions, whose leaders understand and participate in our innovation model; and 3. friendly local government infrastructure that understands it must excel in support of Silicon Valley's unique and thriving climate for innovation.

Further, as ground zero for this architecture for innovation, we attract a diverse, sophisticated and motivated workforce from around the world. Here at eSilicon, a small company of about 100 people, we have nearly 20 nationalities represented -- clearly not a sign that Silicon Valley is fading. There's a technical and cultural integration here that results in better business practices, better products and a better understanding of how to market these products on a global basis. I'd suspect that there are few, if any, other communities where everyone, from the CEO to the bench engineer, understands and is singularly motivated by the innovation model: how it works, where its risks lie and what its rewards are. (Recently, a young engineering candidate asked me if his options were to be ISOs or non-quals? The fact that I can use this as an anecdote relevantly to a broad audience makes my point).

While we certainly recognize and welcome the rise of other U.S. high-tech centers, Silicon Valley continues to thrive -- not fail -- precisely because people want to be part of its ethos. That's why there are continuing traffic jams and why demand for housing pushes prices so high.

I simply can't find an example in the United States where high cost of living and traffic congestion predicts the demise of a community. New York City has the worst traffic and housing prices in this country. Would anyone suggest that it will lose its place as this country's financial and cultural capital because it's a tough city in which to drive and live?

If there's a weak spot in the Silicon Valley innovation cluster, it's in state government. Roads, taxes, energy prices and school systems can be addressed by insightful and courageous government policies. But it's a tough, unenviable job dominated during the past decade by partisan agendas. However, the performance of state government has been poor long enough for its shortcomings to be accommodated by the economic model of the region: It can only get better.

All in all, things in Silicon Valley are fine. The factors that we hear will bring down Silicon Valley are not threats to the culture of innovation and won't pierce the heart of what makes Silicon Valley the U.S. high-tech capital. Traffic, housing prices and even high taxes are critical quality-of-life metrics but are not predictive of how innovation is being nurtured, encouraged and financed locally. And it is innovation that is the core of Silicon Valley's place in the world, not our roads and housing.

Indeed, if we look at what threatens Silicon Valley's decades long status as tech leader, it isn't Boston, but Beijing; not Seattle, but Seoul. The real threat to Silicon Valley lies beyond our borders, not within them. Here, again, government on all levels not could, but must, do a better job of building and maintaining infrastructure, creating affordable energy and, most importantly, improving schools on a national basis. We are in the midst of a grave international challenge that requires immediate action. That must be the focus of future surveys.

JACK HARDING is chairman, chief executive officer and president of eSilicon Corp. of Sunnyvale. He is a member of the Council on Competitiveness (Washington, D.C.) and is serving a one-year term with the National Academies as a member of the committee on software, growth and the future of the U.S. economy. He wrote this article for the Mercury News.