



Zero In

An S.O.S. To Silicon Valley

Sramana Mitra 10.10.08, 6:00 AM ET

An Open Letter to the Leaders of [Silicon Valley](#):

The world needs you.

You, more than anyone else, have the track record of rejuvenating an economy in dire straits.

We have, today, an economy Washington will not be able to handle--and that Wall Street certainly can't handle. It is you, Silicon Valley, who needs to step up to the plate.

Remember the Clinton years? Sure, Bill Clinton takes credit for the prosperity, but anyone who pays attention knows that '90s boom was Silicon Valley's doing. Valley-inspired entrepreneurship washed away most of the \$300 billion deficit that haunted the [U.S. economy](#) early in the decade.

The Internet created millions of jobs through active entrepreneurship, and Silicon Valley gave life to the Internet through bold and visionary investing. John Doerr of Kleiner Perkins Caufield & Byers set the Internet bonanza in motion with his investment in Marc Andreessen's Netscape, followed by Jeff Bezos' Amazon.com. Sequoia's Mike Moritz followed by putting money into the hands of Jerry Yang and his fellow Yahoos. The guys at Benchmark backed Pierre Omidyar's **eBay** (nasdaq: [EBAY](#) - [news](#) - [people](#)) in 1997. And eBay alone, as [John McCain](#) reminded us this week in the presidential debate, today supports the livelihood of 1.3 million people (see "[Stimulus Package For Entrepreneurs](#)").

Soon, entrepreneurs and venture capitalists were rushing to build companies around e-commerce and search. Many failed, and the market collapsed in 2000--but not before it spawned yet another milestone venture: Larry Page and Sergey Brin's **Google** (nasdaq: [GOOG](#) - [news](#) - [people](#)) in 1998.

The early years of the 21st century might have seemed dry as the economy tried to recover from the dot-com collapse and the tragedy of 9/11. But during those early years a group of entrepreneurs led by Marc Benioff of **Salesforce.com** (nyse: [CRM](#) - [news](#) - [people](#)) laid the foundation for a whole new movement now known as Software as a Service (SaaS), which has more recently broadened its scope to cloud computing. (See "[SaaS-ing' Back At The Economy.](#)")

Most of Silicon Valley's VCs missed this trend in the beginning--with one notable exception. Brian Jacobs, Jason Green and Gordon Ritter started a firm called Emergence

Capital at a time when Silicon Valley companies stuck to business models built around "products." Emergence Capital would, instead, invest in "services" companies. Today, its leadership has played a pivotal role in creating a thriving eco-system that supports numerous entrepreneurs building ventures aligned with this trend, and funding is abundantly available for them to move forward. (See my account of Brian Jacobs [here](#).)

John Doerr's remark, in the middle of the '90s boom, that the Internet was "underhyped" provoked more than a few snarky comments. But he was right. Now we have SaaS, Web 2.0 and cloud computing--with the prospect of Web 3.0 on the horizon.

Doerr and his former Kleiner colleague Vinod Khosla also provided exemplary leadership in jump-starting the clean-tech industry. T.J. Rogers, then chief executive of **Cypress Semiconductor** (nyse: [CY](#) - [news](#) - [people](#)), spotted the trend early as well and invested in **SunPower** (nasdaq: [SPWR](#) - [news](#) - [people](#)), which has become one of the darlings of the solar-energy boom. From electric cars to alternative energy and clean air to clean water, those early successes are validating the industry's potential to create wealth. Entrepreneurship is active, jobs are being created and problems will get solved.

In all this, leaders of Silicon Valley, you have identified problems, found technology-leveraged solutions and built industries, not just companies.

I ask you, then, to rise up to the challenge again. Education, [health care](#), social security: These domains need your voices, your intellect, your credibility, your time and your money.

In each of these domains, there are some early successes. Edward Fields is breaking through the morass of education problems with his start-up, HotChalk (see "[A Technological Fix For Education](#)"). Kirk Loevner is cracking health care with Epocrates. Their experiences offer some insight into alternative business models, marketing models and approaches to problem solving--most notably using advertising dollars to fund resources for teachers, students, doctors and patients.

In education and health care, a tremendous amount of inefficiencies can be tackled with technology. Barack Obama, if he wins, will need help figuring out how to reform health care and education from within the system without further ballooning the deficit.

In 2007, the U.S. spent about \$2.26 trillion on health care, or \$7,439 per person. It spends \$1,000 per year per person in administrative costs, which puts the cost of the system at over \$250 billion. This jaw-dropping number stares at me like a bottomless sewage pit of wasted resources, yet it's also an indicator of where technology can make huge improvements.

Education faces similar problems. Administrative costs eat up budgets, leaving little left over for teachers.

As the smart-phone movement marches on, led by Steve Jobs' iPhone, can we not create seamless bridges between doctors, patients and insurance providers that can reduce the \$250 billion expenditure in health care administration?

And on the Internet, can we not create a body of standardized content and methodology for teachers all over the U.S.--or the world--that includes parents in the process and engages children via "edutainment," the same way MySpace and "World of Warcraft" engage kids?

Leaders of Silicon Valley, your answer to all these questions should be "yes." Don't let the current miasma of fear slow you down.

You have to lead. You have to create. You have to build. You have to invest.

You, Silicon Valley, need to pull the U.S. and world economies out of the mess that Wall Street and Washington have created.

I know you can do it.