

# GLOBAL ELECTRONICS

Issue No. 119

March, 1993

## SILICON VALLEY: JOINT VENTURE OR WHOLLY OWNED SUBSIDIARY?

On March 10, the rich and powerful of Silicon Valley gathered at the San Jose Convention Center for a public briefing sponsored by Joint Venture Silicon Valley. Inside 1,500 people heard reports from Joint Venture's numerous working groups, including a glitzy video promoting its proposed "Smart Valley" network. Meanwhile, almost a hundred community and labor activists gathered at a rally outside, where Valley workers asked "Whose valley is this, anyhow?"

Joint Venture was formed last year by a handful of the Valley's corporate heavyweights, including James Morgan (Applied Materials), T.J. Rodgers (Cypress Semiconductor), developer Steve Speno, and Solectron's Winston Chen. Formed with the sponsorship of the San Jose Metropolitan Chamber of Commerce, it has been chaired since inception by Applied Material public affairs director Tom Hayes. The group hired SRI International to produce a report on economic trends in the Valley, and it emerged publicly at a luncheon at which hundreds of people paid \$65 a plate to hear presentations by the organization's principals.

Since then, Joint Venture has expanded its reach into the community. There are now 50 people, including a handful of non-business representatives, on its Board of Directors. Thirty-eight are listed on its Advisory Board. It boasts a "Public Sector Roundtable," including leading elected officials from across the county.

Joint Venture is funded primarily by corporate donations from electronics and development interests. PG&E, the region's largest electric utility, gave \$100,000.

Joint Venture Silicon Valley has eclipsed Strategic Vision, a similar but broader-based process initiated by the County of Santa Clara in 1991. Strategic Vision involved more segments of the community, and racially its task force looked much more like Silicon Valley than Joint Venture's participants. Not only did Strategic Vision study the Valley's economy, but it had roundtables working on the quality of life and children's issues.

Strategic Vision issued its final reports just as Joint Venture was gathering steam. It contained many good ideas, but it lacked focus. More important, business leaders and public officials essentially abandoned the process when it became clear

than Joint Venture would have the resources and backing to attract much more attention.

### Flagships

Joint Venture's work, over the past several months, has taken place in fourteen working groups. Six—Technology, Workforce, New Business Formation, Physical Environment, Regulatory Climate, and Tax Policy—had a policy focus, while eight were formed around existing Valley industries. The Working Groups have been open to the public, and they have attracted a large number of consultants who view Joint Venture's programs as a potential source of revenue.

The Working Groups have developed a long list of proposed initiatives, ranging from an Electronic Regulatory Clearinghouse to the establishment of collaborative research and development centers. While many of those initiatives are likely to move forward, at least to the level of incorporation as independent entities, the Joint Venture Board of Directors expects to endorse as many as five flagship initiatives: "Long-term and far-reaching in nature, these programs will require broad community support and participation. A Flagship Initiative will have Valley-wide impacts economically as well as providing the means for a better overall quality of life."

Thus far, Joint Venture appears to have designated four Flagship programs.

- Flat-Panel Display. Joint Venture has submitted a white paper to the Defense Advanced Research Projects Agency. It argues that a government-backed consortium to develop new display technologies should be situated in Silicon Valley.
- Smart Valley. Still lacking specifics, this initiative proposes to hard-wire the Valley with fiber optics as a pioneer node in the new National Information Infrastructure. (See sidebar.)
- 21st Century Classroom. Working with the city of San Jose, Joint Venture plans to expand the use of computer technology in San Jose's high schools.
- Enterprise Economics. Joint Venture's Tax and Fiscal Policy working group is putting together a package of tax reforms to take to the California state government in Sacramento. Industry has apparently agreed to try to free local government

*(continued on page 2)*

---

## SMART VALLEY OR THOUGHTLESS TECHNOLOGY?

Joint Venture's best known flagship proposal is "Smart Valley," a plan to hard-wire the Valley with a fiber optic network. Although it has put a lot into publicizing the idea—including a video presentation at the Convention Center briefing—Joint Venture has yet to release any detailed description. The proponents of the project include high-tech professionals who are already experiencing the benefits of digital communications and the chief executives of companies that hope to make a bundle selling high-tech hardware, not only in Silicon Valley, but wherever communities follow its lead.

Ironically, the corporate leaders who would connect the Valley have thus far displayed surprising ignorance of key issues, such as access, censorship, and privacy, that confront the architects of any communications network. A Smart Valley brochure says, "Smart Valley can deliver benefits to the entire community, not just the technologically elite." But there has been no hint of how it expects to distribute those benefits.

Though America is dependent on electronic digital communications for everything from financial transfers to airline reservations, a remarkably minute portion of the population uses electronic mail, on-line information, and other personal digital services in their homes. Access is limited by the cost of hardware, the cost of services, education, and cultural obstacles. Users tend to be young and middle-aged white men.

As corporations and the technologically elite take advantage of electronic information services, the bulk of the population remain locked outside the so-called electronic cottage. Like inner city residents without cars, they will see traditional

services—in this case, libraries, mail, and banking access—deteriorate. There is an excitement these days, in high-tech circles, about electronic democracy. But how democratic can a system be when only a small fraction of the population is in a position to use it?

There are many strategies which could greatly expand access to "the net," but none should be adopted without the active participation of representatives of underserved segments of the community. For example, California currently requires phone companies to offer low-volume "lifeline" phone service to low income residents. Information services could be priced the same way. France distributes "Minitel" terminals, instead of phone books, to residents. Something similar could be tried in parts of Silicon Valley.

Most important, if we decide that digital communications should eventually be available universally, then those services should be designed to overcome the practical and cultural obstacles to their use; they should be shaped by the users to meet their needs; and training programs should target underserved portions of the population.

If proposals for a Smart Valley remain driven by the concept of installing high-tech hardware everywhere, it will never meet the needs of the population as a whole. Like computers in the schools, much of the the optical fiber net will lie idle.

But it is also possible that the supporters of a Smart Valley will accept experimental approaches designed to make access to digital services more universal. After all, the computer industry benefits when more people use computers, just as telephone companies thrive on universal service.

---

from its state-imposed spending/tax crisis in exchange for support for tax incentives for business.

### Sophisticated Power Grab

Silicon Valley's industrial leaders have a worldwide reputation for getting things done. Bill Clinton showcases his shaky links with Silicon Valley business to bolster his economic policies. But within Silicon Valley, business has done little to flex its muscles or even to get them to pull in the same direction.

(There are significant exceptions. The Santa Clara County Manufacturers' Group has repeatedly

won support for its industrial infrastructure proposals, paid for by individual taxpayers and consumers.)

As key Valley businesses expand elsewhere and high-tech layoffs continue, the Valley's reputation suffers. (We maintain, however, that Silicon Valley remains unequalled as a location for high-tech investment. See *Global Electronics* No. 118.)

Leaders of companies, including Applied Materials and Cypress, that have been shifting work elsewhere teamed up with local developers to form Joint Venture to improve the local business climate. It may be that they felt guilty for undermining the community that had treated them so

well. More likely, they saw a chance to seek concessions and subsidies by playing other high-tech regions—such as Austin and Albuquerque—against the Valley.

In either case, Joint Venture incorporates two strains of thought. One approach, characteristic of California Republican business politics and the so-called Ueberroth report, argues that Silicon Valley business needs less regulation and lower taxes to compete.

The other, more forward-looking view, promotes education and infrastructure development as a way to promote Valley business. To the extent that such programs are funded fairly, this approach can serve the interests of all Valley residents, not just high-tech and development interests.

The problem with Joint Venture is not merely that some of its leaders want special treatment from the government. The problem is that it attempts to substitute a top-down, PR-led process for democracy at the local level. Joint Venture does not claim to be an industry lobbying group, Chamber of Commerce, or trade association. It claims to represent the entire Valley.

Joint Venture's own brochure says, "Participants from every sector of the Valley—business, government, education, and the community at large—have committed thousands of hours to *Joint Venture-Silicon Valley*." However, when the Service Employees union (SEIU #1877) looked closely at the membership of the group's Board of Directors, Advisory Board, and Work Group chairs, it found that 99 represented corporations. The other ten included labor leaders, academics, and public officials.

With a few token exceptions, Joint Venture's high-powered political machine does not represent the workers on high-tech production lines nor other Valley working/unemployed people. In fact, there is little in the Joint Venture structure to give voice to the Valley's numerous high-tech professionals.

Nowhere, however, is the undemocratic nature of Joint Venture Silicon Valley clearer than in the racial make-up of its leadership. Most are white. A couple are wealthy Chinese-Americans. While most of California is beginning to recognize that soon no race will be in the majority, Joint Venture managed to put together another predominantly white leadership. Even the editors of the *San Jose Mercury News*, staunch backers of Joint Venture from the start, noted that 38 of the 40 Joint Venture leaders on the dais at the Convention Center meeting were white.

Late in its game, Joint Venture recognized its lack of diversity. So it created a "Diversity" task

force. Now whenever a person of color asks what Joint Venture can do for him/her, Joint Venture has someplace to send them.

To its credit, Joint Venture has established an open process. Industry critics, like everyone else, are welcome at its meetings. But openness should not be confused with democracy. Key decisions are made by a small group of people selected by the group's founders. Again, Joint Venture has the right to be a special interest group, but that is not what it claims to be.

## Community Reaction

The unrepresentative character of Joint Venture's leadership is reflected in its initiatives. It addresses only those issues it considers important to Valley business. Thus, it doesn't try to figure out how to win higher wages for high-tech production workers or janitors. It doesn't attempt to house the homeless. It doesn't even look for cleaner ways to manufacture computers.

Though some community and labor groups have taken part in Joint Venture's deliberations, most understandably feel left out. Their members are not represented. Their issues are not addressed. For this reason, a coalition of 30 organizations sponsored a rally outside the Convention Center briefing. Speakers included Jessica Burgess, who suffered a miscarriage while working in semiconductor wafer fabrication, Romie Manan, a Filipino production worker who expects to lose his job as his employer shuts more plants in the Valley, and a Chicana member of the janitors' union. The crowd of 75 to 100 people outside represented many more  
(continued on page 4)

## GLOBAL ELECTRONICS

edited by Lenny Siegel

Issue No. 119

published by the Pacific Studies Center  
222B View Street

Mountain View, CA 94041 - USA

Phone: 415/969-1545—Fax: 415/968-1126

US ISSN 0739-0416

subscription rates (12 issues)

United States: \$12.00

Canada and Mexico: US\$14.00

Overseas: US\$18.00

all back issues are available

Copyright ©, March, 1993—Mountain View, CA

ethnic groups than the much larger group inside the hall.

At this point, the coalition is tentative, with no common program for the Valley. It doesn't even have a name.

At the Convention Center, the coalition distributed a letter to President Clinton along with a challenge to Joint Venture. To Clinton it said, "Because Joint Venture Silicon Valley is being promoted as a model for Silicon Valley as well as for other high-tech centers, we feel compelled to point out the significant contradictions between your stated policies and the Joint Venture approach.... Joint Venture does not look like America.... Public policy—and broader industrial policy—must be based on a true assessment of community needs. It must grow from the bottom up, rather than be dictated from the top down."

Without the resources of Joint Venture's corporate sponsors, it will have difficulty responding to the corporate power grab. Nevertheless, groups which in the past have been content to respond to the Valley's deteriorating living environment issue-by-issue may be forced by Joint Venture to take a more cooperative, pro-active stance.

Perhaps the community coalition can devise a program that overlaps with some of the better ideas in Joint Venture's platform. It should be possible to strengthen the Valley's business climate and quality of life at the same time, but only if policymakers start to recognize that what is good for Applied Materials or Cypress Semiconductor is not necessarily what is best for the residents and workers of Silicon Valley.

## CHALLENGE FROM THE COMMUNITY

The coalition of labor, environmental, religious, ethnic, and other community organizations that rallied outside the Joint Venture briefing on March 10 said, "Joint Venture Silicon Valley has not answered the most basic questions about how to develop a sustainable economic strategy for the valley." The coalition distributed its own list of questions, which is excerpted here:

- Who will be able to afford a decent standard of living in the future in Silicon Valley? Will janitors, health care workers, service workers as well as production workers be able to afford to live here?...
- Will industry commit itself to ending a strategy of supporting the wholesale exodus of manufacturing jobs from the valley, leaving only research and development centers and forcing workers to compete for fewer jobs that offer lower wages?...
- Is there a willingness by the corporations to drop their pledge to maintain a union-free environment for high-tech production workers?
- Will this valley become even more polarized and stratified because of the institutional racism that denies equal access to equal education and opportunities?...
- How can we assure stringent health and safety protections on the job?...

BULK RATE  
Non-Profit Organization  
U.S. POSTAGE  
PAID  
PERMIT NO. 155  
MOUNTAIN VIEW, CA

Address Correction Requested

Pacific Studies Center  
222B View Street  
Mountain View, CA  
94041 - USA