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Silicon Valley Makes Peace With Washington

Lobbying to hobble competitors has become the sad new norm.



By L. GORDON CROVITZ

"There of course will be some who will point out the irony in today's filing," said Brad Smith, Microsoft's general counsel and master of understatement, "having spent more than a decade wearing the shoe on the other foot." The filing was the first-ever complaint with the European Commission by once monopolist Microsoft, fingering Google as the new antitrust violator.

Let's not waste this excellent irony: It's time for Silicon Valley to rethink its relationship with Washington, D.C., and Brussels. After generations of technology entrepreneurs keeping their distance, high-tech companies over the past decade became among the biggest employers of lawyers, lobbyists and fixers. As in Detroit, reliance on big government by Silicon Valley undermines the focus on competition and innovation.

It's hard to blame Microsoft for taking advantage of regulatory opportunities. If the European Commission could fine Microsoft billions of dollars in the 1990s with no proof of consumer harm, why not harass Google now? With a 95% market share of search in Europe and 65% in the U.S., Google surely dominates the search business. It makes it difficult for advertisers to use data gathered through Google for ads on Microsoft's Bing search engine. But where's the consumer harm?

There's a lesson here for Microsoft and Google—and for Facebook and Twitter as the likeliest next-generation targets of complaints by frustrated competitors. In high-tech, by the time the political and legal systems catch up to an issue, the issue is moot. Soon after the Justice Department considered forcing Microsoft to break itself into separate Windows and Internet Explorer businesses, Mozilla launched a popular competing browser. Apple and Google later did the same.

Technology executives should download a copy of an essay that T.J. Rodgers, founder and CEO of Cypress Semiconductor, wrote for the Cato Institute in 2000, soon after the Justice Department sued Microsoft in 1998 for bundling Internet Explorer with Windows. In "Why Silicon Valley Should Not Normalize Relations with Washington, D.C.," Mr. Rodgers pleaded with his fellow technology executives to stay as far from politics as the traditional culture of Silicon Valley is from the culture of Washington.

"The free market in Silicon Valley is not well ordered or even predictable," Mr. Rodgers wrote. "When a start-up company fails in Silicon Valley, no one wails about the unfairness of foreign competition or the need for government intervention." He argued that the technology industry was different from heavily regulated industries such as autos or agriculture. "I do not want more government in Silicon Valley. Government can do only two things here: take our money, limiting our economic resources, or pass laws, limiting our other freedoms." In the case of antitrust, "the laws in effect make it illegal for a company to be conspicuously

successful."

Back then, Mr. Rodgers noted, few technology companies had Washington offices. Microsoft didn't open one until 1995, and it spent just \$1 million on lobbyists in 1996.

Michael Kinsley, who worked for Microsoft in the 1990s, wrote a column for Politico last week recalling how reluctant Bill Gates was to get involved with politics. "The Washington culture of influence peddling is not entirely, or even primarily, the fault of the corporations that hire the lobbyists and pay the bills. It's a vast protection racket, practiced by politicians and political operatives of both parties," Mr. Kinsley wrote. "Nice little software company you've got there. Too bad if we have to regulate it."

In contrast to Microsoft's reluctant involvement with government, some newer companies embraced it. The Center for Responsive Politics reports that the high-tech industry doubled its federal lobbying spending in the decade after 1998, to some \$380 million.

Google was one of the top donors to the Obama campaign, has some 40 lawyers, lobbyists and policy advisers in its Washington office, and spent more than \$5 million on lobbying last year. But after years of urging regulators to create "net neutrality," Google now faces competitors lobbying for "search neutrality." Facebook already has a Washington office with high-profile lobbyists from both parties, but this just seems to encourage agitation for privacy regulations.

In an interview last week, Mr. Rodgers said that he isn't surprised that his warnings about entanglements with Washington have largely gone unheeded. "Milton Friedman once told me, 'The greatest enemies of the free market system are university professors and corporate CEOs.'"

Mr. Rogers understands that it's "common and even practical for executives to put their parochial interests first," but he added that "Silicon Valley is in a world of hurt right now," with even R&D engineers as likely to be hired overseas as in Silicon Valley. Government lobbying distracts companies from the real competition, which is not for regulatory benefits. As always, the competition is for the consumers who decide whose products and services win and whose lose.

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