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Friday, May 29, 2009

## T.J. Rodgers goes to Washington

*You may have noticed, or maybe not, that on Fridays I often go off-topic. I still keep one foot in the technology space (no Brad and Jen or whoever it is now; no recipes...yet). But definitely less on-topic about design, EDA, software development, semiconductor and all the other stuff that makes up the daily grist for my mill.*

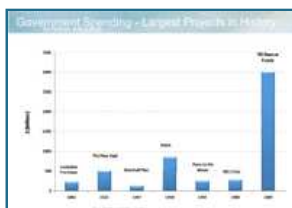


T.J. Rodgers, the CEO of Cypress Semiconductor, is also a critic of government intervention in the economy, especially that of Silicon Valley. Whatever you think of the strategic decisions that he made at Cypress, most of which look pretty good in hindsight, he is a great writer. I wish I could write as clearly and interestingly as he does.

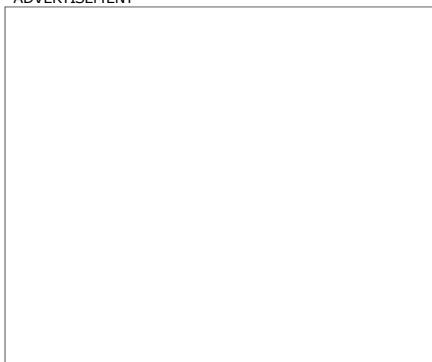
If you haven't read it then I highly recommend reading every word of his 1993 testimony to Congress in the Clinton era, "[Free Market or Government Subsidies?](#)" It is especially worth reading in the light of the current extensive intervention in the economy by the government in all sorts of arbitrary ways. Luckily they aren't intervening much yet in technology. Of course, on one level, it would be nice to get some stimulus money, but without the interference that comes with it.

One area that technology that does have a large government dimension, at the very least in competing for the same VC money, is the environment. I regard most of the current venture-capital investments in "green" technologies largely as bets on governments subsidizing them whether they are economic or not. For instance, did you know that Germany, that famously sunny country with its enormous deserts, is the biggest installer of photovoltaic solar power, accounting for almost half the world market? And with the senate dominated by states that have few people but lots of agriculture, there are no prizes for which country has the most subsidies for turning expensive food into ethanol, a nasty fuel that corrodes pipes, attracts water and produces lots of aldehyde pollution at the tailpipe. Not to mention uses roughly as much energy to produce as it generates when used.

T.J. Rodgers's plea to Congress in 1993 for a balanced budget (given that the budget was eventually in surplus on Clinton's watch) looks absurd today, given the way we are racking up an unpayable tab. But his testimony from 15 years ago stands up really well today. [This slide from Intel](#) shows just how deep a hole we are digging (and don't forget Medicare dwarfs all this).



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Even more recommended is T.J. Rodgers's piece for the Cato Institute, "[Why Silicon Valley Should Not Normalize Relations with Washington](#)," that does a great job of contrasting what he, T.J. Rodgers, worries about on a daily basis, with what Dwayne Andreas, then-CEO of Archer Daniels Midland worries about. T.J. Rodgers worries about semiconductor technology, borrowing money, how much to invest in solar, which products to design. Andreas worries about...well, making sure that Congress passes the right laws to ensure that he can farm the subsidies. ADM is the largest beneficiary, even before the last changes of the law, of the policy of insisting that a certain amount of ethanol gets added to gasoline.

Since I'm having a rant, I'll finish with a blog comment by someone called Bob on a response to a piece

on...whatever. Anyway, it's [here](#) if you want to read it in the original Latin. But I think it is a great expression, even if a little exaggerated (the "whole" point, hmm) of the difference between how Silicon Valley works and how Washington works, complete with Silicon Valley imagery in the last few words. I think T.J. Rogers would be proud:

"I reject the premise that capitalism is currently failing to 'deliver the goods.' The whole point of capitalism is to destroy companies like GM and Chrysler. The whole point of capitalism is to destroy unions like the UAW that favor older and retired workers at the expense of younger workers and workers yet to come. The whole point of capitalism is to destroy the "smart guys" who create defective financial products. The whole point of capitalism is to punish us for electing a government that enmeshes itself with the jokers above. The 'current unpleasantness' is a feature, not a bug."

And, less this be interpreted as some sort of complaint about the current administration, remember that lots of this stuff, the first financial bailouts, Fannie Mae, GM bailout number 1 etc all happened on the Bush watch. It's more of a plague on both your houses. Besides, so far most of that creative destruction has yet to occur so the shakeout is just being delayed.

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