

Can Silicon Valley Find Its Way Back?



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Open Immersive Reader

By Michael S. Malone

You don't have to be very old to remember when Silicon Valley represented the shiny technological future.

It was the land of brilliant entrepreneurs starting fast-moving new companies. An enclave of perpetual optimism, where the brightest young people went to change the world — and got very rich in the process. A place that didn't grow old, but revised itself every decade into something perpetually exciting and new.

But today, to many Americans, Silicon Valley has become the locus of everything wrong with a technological revolution that has grown dark and totalitarian. It is the heartland of cancel culture, it's giant social networking companies censoring free speech. It uses its wealth to influence elections. And its companies are in bed with some of the worst regimes on the planet. Congress and the Federal Communications Commission are [looking at ways to break up the biggest Valley companies](#). Polls show that a [majority of Americans no longer trust Big Tech](#). And [surveys have revealed](#) that a sizable number of Valley workers can't wait to leave. What happened? How did it all turn so bad so quickly?

I've thought about this transformation a lot lately. I grew up Silicon Valley, I've covered it as a journalist longer than anybody, and I have known nearly all of its celebrated figures. The particular occasion for my reflection has been the publication of a special edition of my book, *The Big Score* (1984), the first history of Silicon Valley.

Rereading a book I wrote when I was 30 years old — when I was as shiny and optimistic as the entrepreneurs and companies I wrote about — was a disturbing experience. Here was a Valley on the cusp of greatness, filled with men and women who are now legends — Hewlett and Packard, Noyce, Moore and Grove, Jobs and Wozniak and many more — but who were then still mostly unknown to the general public, still coping with their new wealth, working in

companies small enough that they knew the name of every employee. It was a time when Silicon Valley denizens still dreamed of success and — for all of their ambition — could never imagine that it would one day create the wealthiest enterprises in human history, or change the daily lives of every single person on the planet.

So, what turned that Valley into the one we know — and increasingly fear — today? How did Silicon Valley shift from wanting to change the world to wanting to run it?

Leaving aside the obvious consequences of success — traffic, urbanization, the insanely high cost of living — I want to offer some less obvious forces that transformed the Valley from what it was into what it is today:

Hardware to Software — For decades — from tubes to transistors, chips to PCs — the Valley was a place that built things. Today, it is a place that encodes things. There is a fundamental difference between those two worlds in terms of culture, attitude and business philosophy; the former is aggressive, competitive, and personal; the latter is passive, manipulative, and anonymous. Hardware tries to sell you; software entices you to enter another reality.

Blue-collar kids to the children of privilege — The first generations of Valley leaders were the sons (and a few daughters) of tough, mostly Midwestern, working men. Gordon Moore's father was a cop, Steve Jobs' dad was a car salesman, Bob Noyce's an itinerant preacher. These Valley pioneers had often risen from tough beginnings, and those beginnings had never really left them. Arrogant as they might be, they knew where they came from and that gave them a humanity and an empathy for other people.

Today's Valley giants typically come from families of the professional class. Mark Zuckerberg's parents are a psychologist and a dentist, Larry Page's dad is a computer science professor. Instagram's Kevin Systrom is the son of two corporate executives. They were born into comfort and have little understanding of how the other half lives. Would anyone characterize them as having "the human touch"? [Tellingly, the outlier is Apple's Tim Cook, whose father was a shipyard worker.]

Double E's to Coders— Though it may not seem apparent, there is a profound difference between an electrical engineer (who works with the flow of electrons through circuitry) and a computer coder (who works with the operation of digital algorithms through devices and systems). Because electrical engineering focuses on the basic functionality of physical objects, it tends to attract more traditional, conservative personalities — the kind of folks who have families, mortgages and live in suburbia. Software engineering, by contrast, is about using devices to create applications and experiences, and it tends to attract younger, single and more urban personalities . . . hence, over the last two decades, the eclipse of San Jose and the South Bay suburbia by big city San Francisco, and all of the consequences that ensued.

Commercial to Consumer — Until social networks came along, nearly every product or service created by Silicon Valley was initially designed for commercial and industrial applications.

Indeed, until the early 1980s, the idea of selling to consumers was anathema to the tech world. And those who tried, such as Intel with watches, got burned. But all of that changed with Atari and Apple. Today, all of the dominant tech giants are consumer-oriented. This shift entailed a very different model of marketing, branding, and retailing — a move away from competing on product specifications to capturing users through psychological manipulation.

Fee to Free — Freeware may be the most pernicious invention of the last few decades. You don't buy tech anymore; you rent, you subscribe and, most of all, you get it for free. How can you say no, especially if you're an adolescent? And all you have to give up is every bit of information about your life so that it can be sold around the world.

You no longer own your own data. That may not seem like a big deal now, but we are rushing towards a world of tight social control. The single most soul-rotting characteristic of modern Silicon Valley is freeware. It has granted companies absolute cultural, financial and political power, the kind that no company before them has ever known. And that power has corrupted these companies absolutely.

Entropy to Envelopment — Remember Varian, Four-Phase, Memorex, Amdahl? No? That's because great Silicon Valley companies used to die as exciting new competitors appeared. Now, in part because D.C. doesn't want to break up such important contributors to the economy, today's giants look to be immortal. They just buy their emerging competitors. Bored with Facebook? No problem: they just bought Instagram. Then WhatsApp. Modern Valley giants have the cash to jump from stone to stone across the rushing Zeitgeist forever.

Calculated Risk to Sure Thing — Venture capitalists used to invest comparatively small sums of money in high-risk bets on new startup companies. That all changed after the dot.com bubble burst at the turn of the century and a lot of VC's lost a lot of their investors' money.

Unsurprisingly, this made VC's a whole lot more conservative — and much more risk-averse. Perversely, investors came roaring back, filling venture capital funds with billions of dollars. VC's found themselves forced to make very large investments in very low-risk, established enterprises. In other words, they essentially became bankers by another name. The result? Those plucky little startups that characterized the Valley and gave it vitality are on life-support, praying for a wealthy Angel to come along.

Market share to Infinite Scale — Besides freeware, the other great discovery of the last 20 years has been that if you give consumers a platform and the tools to create their own product, they will happily become your unpaid slaves and not only surrender their personal data but also spend thousands of hours making you rich. And because of that, you don't have to grab increments of market share from your competitors. Instead, you need to scale to an almost unimaginable population of users/slaves who become so committed that it is almost impossible for them to escape. After that, you can even control their words and actions — an opportunity too great to pass up.

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And thus we have Silicon Valley in the 2020s: feared by even the most powerful, admired by those who want to emulate its success, reviled by people who still defend their privacy and liberty and cheered on by those who believe it is on their side. Silicon Valley used to make folks excited about the future. Now it makes them shudder about it.

Can Silicon Valley be redeemed? I think it can. It would likely require just two things:

1. Competition: Despite a few heartening moves by some Federal agencies and consumer groups, Big Tech — with its armies of lawyers and lobbyists — is all-but invulnerable today. We need a return to the vitality of entrepreneurship and the stabilizing force of real competition — even if that competition is between the broken-up pieces of once-great companies. Progressives ran the last anti-trust movement more than a century ago. Where are they now?
2. Ownership: You can't stop freeware, but you can return to a world where individuals have legal ownership of their personal data. We must regain control over our lives. If companies want access to our data, they must determine a value for that data — and gain our permission to purchase it from us directly or through brokers. And any attempt to evade that debt or invade that privacy must be met with severe legal consequences.

There are some positive signs out there. With COVID apparently waning, [some tech folks are coming back](#) to San Francisco — apparently having discovered that working from a guest bedroom in Frisco, Texas isn't all it's cracked up to be. And a friend just told me that sitting in a Valley coffee joint he glanced over and saw a group of men and women crowded around a tiny table studying a spreadsheet. A startup team, the enduring symbol of Silicon Valley regeneration.

Will this bring back the Silicon Valley I knew forty years ago? Probably not. But, with these new rules and the return of entrepreneurship, in time it might create a better one.

Michael S. Malone is the author or coauthor of nearly thirty books, including the award-winning "Bill & Dave" and "The Intel Trilogy". He is Dean's Executive Professor of English at Santa Clara University and is a Distinguished Friend of Oxford University. He lives in Silicon Valley.