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A \$3.5 Billion Effort Aims to Help Tech Start-Ups

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SAN FRANCISCO — Technologists have been worrying aloud for years that America is losing its competitive edge as other countries invest more heavily in technology education and innovation.

To counter that trend, Intel and 24 venture capital firms said Tuesday that they planned to invest \$3.5 billion in American start-ups over the next two years.

In addition, Intel, Google, Cisco Systems, Microsoft and 13 other employers pledged to add jobs in 2010 — specifically by hiring 10,500 graduates of American colleges, largely those with computer science and engineering degrees.

The initiative, called the Invest in America Alliance, is spearheaded by Intel, the world's largest chip maker, and was announced on Tuesday by the company's chief executive, Paul S. Otellini, in a speech at the Brookings Institution in Washington.

“Unfortunately, long-term investments in education, research, digital technology and human capital have been steadily declining in the U.S.,” Mr. Otellini said, according to a transcript of the speech. “So, too, has the commitment to policies that made us such an entrepreneurial powerhouse for more than a century.”

Other countries, including China, India, Taiwan, Finland, Korea and the Netherlands, have become “far more potent competitors in the next phase of the global economy,” he said.

As part of the alliance, two dozen venture capital firms — including top-tier names like Kleiner Perkins Caufield & Byers, Venrock and DCM — have committed to investing portions of their funds in start-ups founded in the United States. Intel Capital, the company's venture capital arm, will invest \$200 million.

The United States is quickly losing ground to China and India, said Robert Compton, a venture capitalist and entrepreneur who produced a documentary on education in the three countries.

Fewer than 10 percent of college graduates in the United States have engineering degrees, compared with more than one-third in India and China, and more foreign-born graduates of United States universities are returning to their home countries, he said.

“Early indicators are that we are not the center of innovation anymore,” Mr. Compton said. “It is shifting to the East.”

Another indicator of the shift is patent filings, which increased 30 percent in China last year while declining 11 percent in the United States, according to the World Intellectual Property Organization.

But some analysts say they doubt that more venture capital for American start-ups is the solution.

“If they were really serious about it, they would be fixing visa systems so foreign students would stay here,” said Vivek Wadhwa, an executive-in-residence at Duke University, where he researches the impact of globalization on engineering and the competitive advantage of the United States.

And others say that the competitive threat from abroad is overblown. The United States benefits no matter where new technologies are invented, because Americans are more innovative at using and commercializing technologies, said Amar Bhidé, a visiting professor at the Kennedy School of Government at Harvard, who expands on that argument in his book, “The Venturesome Economy.”

“The World Wide Web was invented in Switzerland, and I think we have taken far greater advantage of that than Switzerland,” he said.

Whether or not American innovation is under siege, it is unclear how much of a difference Intel’s initiative will make. Hiring 10,500 people will make only a small dent in the nation’s unemployment rolls. And most of the venture firms are not raising new funds to invest in start-ups, but committing money that would most likely have gone to American start-ups anyway.

Venture capital firms based in the United States already invest 70 percent of their money in start-ups in this country, while Chinese and Indian companies each receive just 3 percent, according to the National Venture Capital Association.

“We’re not changing our behavior,” said Dixon Doll, co-founder of DCM, which has committed \$200 million to the alliance. “We’re all just saying this is something we can get behind for the good of the country.”

The announcement from Mr. Otellini comes as both Intel and its venture capital arm could use a public relations lift. The Federal Trade Commission has filed an antitrust complaint against Intel. Rajiv Goel, a former managing director at Intel who worked closely with Intel Capital, has admitted to leaking confidential corporate information in the Galleon insider-trading case.